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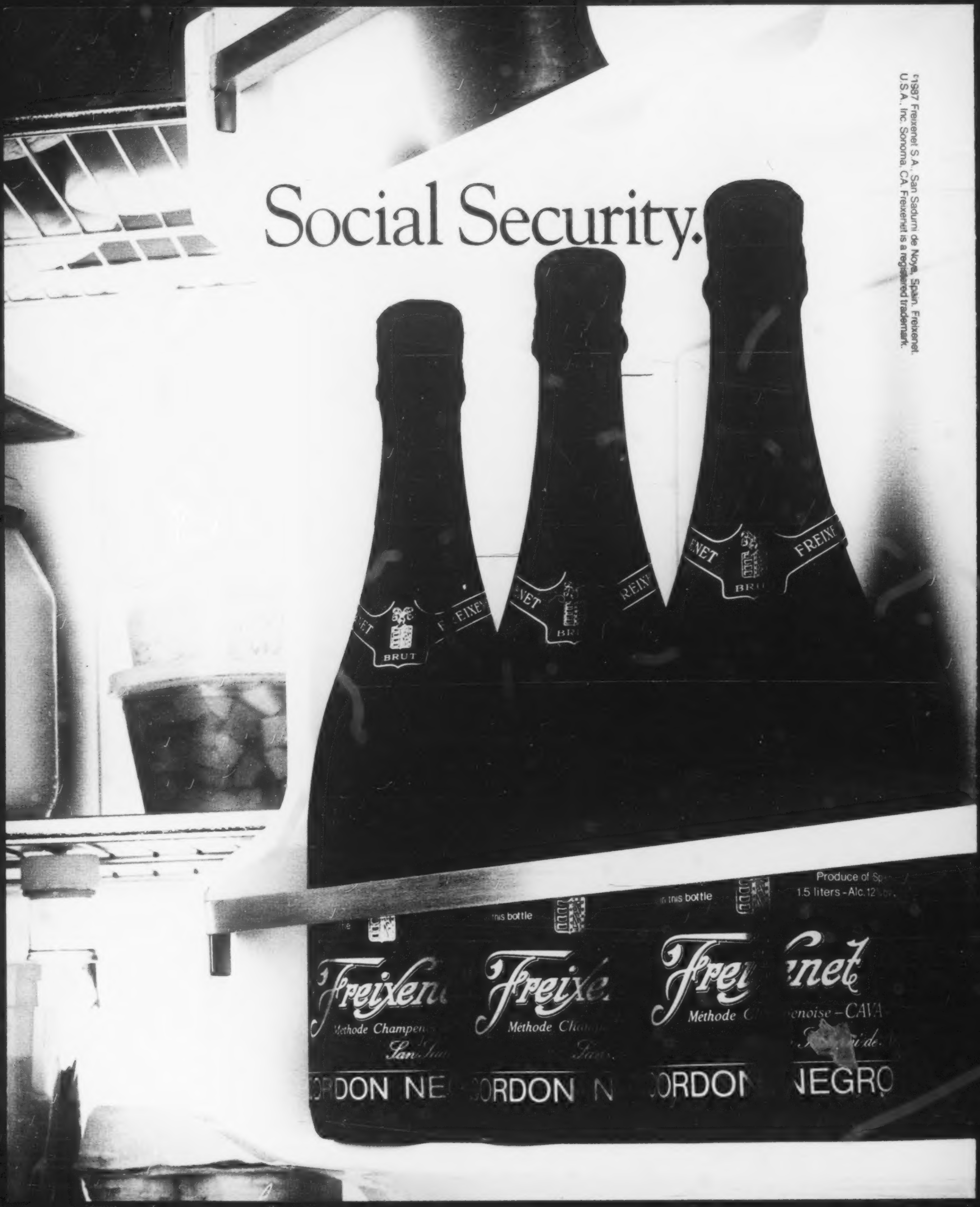
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In This Issue:

[Special Report 1] We are pleased to inaugurate the magazine's new design with this quarter's special report on investing in Spain. Addressing the legal, economic and financial topics of our chamber's full-day corporate seminar in New York City entitled—"Spain Today: The Emerging Platform for Business with Europe," our report provides public and private sector insights for U.S. companies in their approach to business opportunities in the Common Market through Spain. It is a report made especially timely by the current recession-driven surge in exports to Europe and by the unprecedented level of foreign investment in Spain.

[U.S. Business 19] Our "U.S. Business" section presents several essays about the marketing strategies of five "Spanish" companies in the United States. While they have all experienced success, each company faces industry-specific challenges in their efforts to sustain and increase market share. Tackling these challenges is made more urgent by their parent companies' bout with the high peseta/dollar exchange rate.

[Spain Survey 27] An industry analysis of Spanish retailing is our feature in "Spain Survey." This article explains how the sector is changing rapidly in response to a boom in consumer demand and imports that began in 1986 with Spain's entrance into the European Community.

—ALEXANDER ROBARTS
Editor-in-Chief

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Communication Tools for the Future

Live coverage of the upheavals in Eastern Europe and similar events worldwide, would have been unimaginable just twenty years ago. Should they have happened then, probably no outsider would have had the opportunity to know about them. Thus, history might have developed in quite a different way. In making us witnesses to such historic events, communication itself might have changed the path of history.

Business, often believed to be the "hidden force" behind many political developments, is not an exception to the sweeping effects of evolving communication technologies. For example, a recently popularized business communication tool, the fax, has become an indispensable instrument to most executives in just a few years.

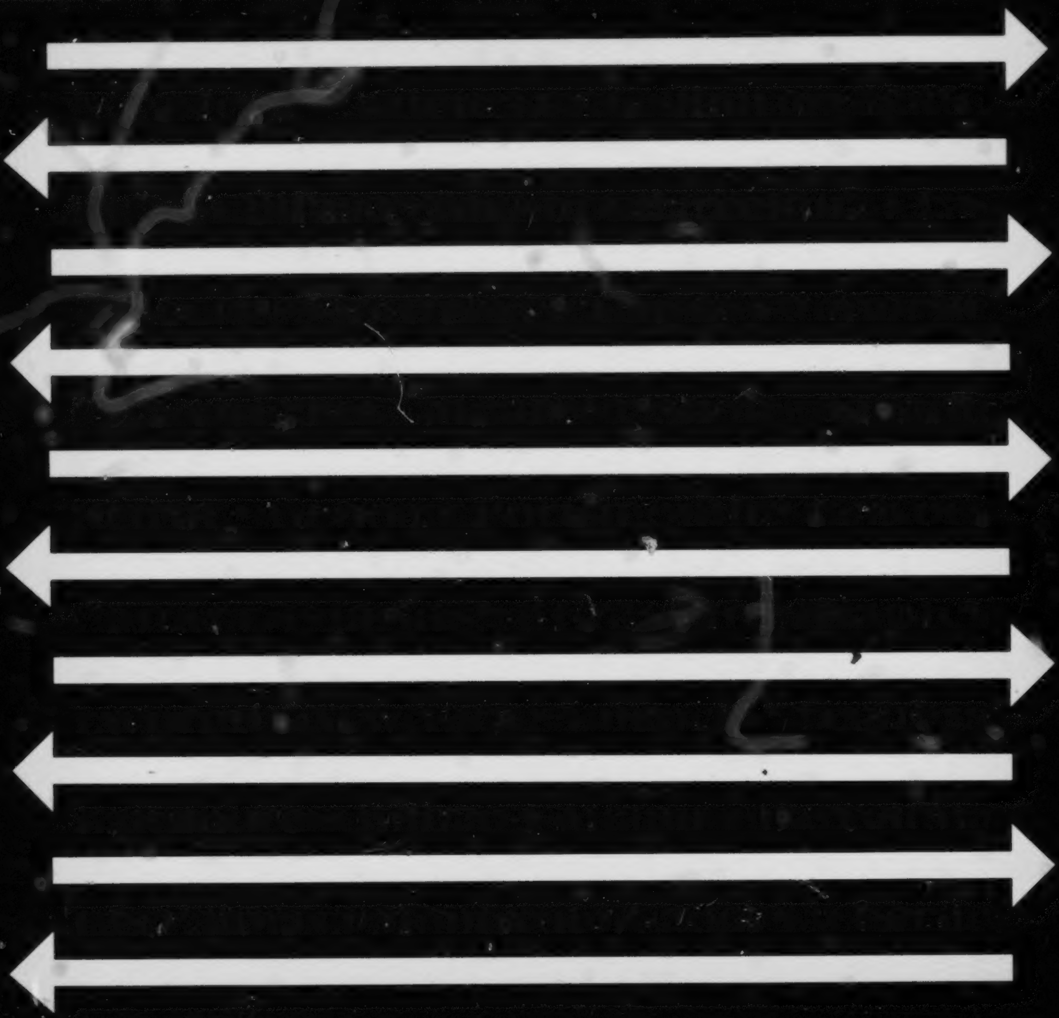
Senior managers in freightforwarding, international trade, banking and commercial services recognize how deeply their businesses have changed in the last two decades. Few basics remain the way "they used to be". The traditional competitive edge in international business, once provided by getting information a bit faster and sooner, has become more difficult and insufficient. In addition, clients and customers demand better service, a "relationship," to be accomplished only through fluid and open communication with them.

Therefore, a concerted effort in communicating better is mandatory. We, at the Chamber, believe that our goals and activities should always be in accordance with the times and the real needs of society and the business community we are meant to serve. Consequently, as the platform for communication links within the Spanish-American business community, we have made an extraordinary effort to create and develop innovative communication tools.

The Business Link you are about to read, as well as the Link Letter you will receive from now on, are designed to fulfill this need for communication and mutual knowledge to promote more frequent and effective, durable Spain-USA business partnerships.

As we enter a new year, on behalf of our President, our Board of Directors and the devoted professional staff of the Chamber, I wish you plenty of professional successes as well as personal happiness in 1991 and hope that better communication will bring all the friends of the Chamber closer together in both business and friendship.

—Miguel Sebastia



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Left to right: Paulina Beato of Banesto; Amb. Miguel de Aldasoro, Consul General; Ricardo Jové, Chamber Pres.; Apolonio Ruiz Ligero, Spain's Secretary of State for Commerce; Francisco Moreno of McKinsey; Carlos Estevez of ENISA; Mariano Muela, Trade Commissioner

Chamber Hosts "Spain Today" Seminar at The Pierre: Over Fifty Companies Attend

On September 24, 1990 at The Pierre in New York City, the Spain-USA Chamber of Commerce hosted a very successful one-day seminar entitled "Spain Today. The Emerging Platform for Business with Europe" sponsored by ENISA, McKinsey & Company, and Banesto. The Chamber was honored to have Mr. Apolonio Ruiz Ligero, Secretary of State for Commerce of Spain, give the opening address. Senior executives heading international business development departments of targeted medium to large U.S. companies were selected to participate in the seminar. In order to preserve the high quality and efficiency of the seminar, attendance was limited, and over fifty companies participated. Another 210 companies were non-participating respondents that expressed an interest in learning about Spain and the possibilities of establishing business ties there.

The Chamber designed the seminar for companies in certain industrial sectors that plan to either increase or initiate business abroad. Its purpose was to inform U.S. executives that given the favorable economic climate in Spain, the nineties is the decade for investing there.

For the past two years Spain has had the fastest growing market in Europe for U.S. manufactured products. Yet, over 1,000 U.S. billion-dollar companies still have not invested in Spain.

Detailed presentations made during the seminar by the sponsor companies provided timely and valuable information necessary to penetrate the Spanish marketplace. They emphasized that companies that establish themselves in Spain will be able to take advantage of the unique possibilities that the country has to offer as a European business base.

The primary industrial sectors represented by seminar participants included electronics, computers and telecommunications sectors. Also present were construction and real estate companies as well as banking, investment, and legal and marketing services companies. Other participants included companies from sectors as varied as chemical and cosmetics, food processing and textiles, household goods and metal tubular parts, and medical devices and x-ray equipment. The majority of participants were from the Tri-State area, although companies from 10 other states, including Utah, Virginia, and Tennessee attended.

A complete review of the presentations made by the sponsoring companies appears in the special section of THE BUSINESS LINK, dedicated to the seminar.

Currently the Chamber is distributing the seminar program to non-participating respondents, and is maintaining contact with the participants to offer them further assistance with their plans to establish business in Spain.

Thus far, feedback from the participating companies and non-participating respondents has been very positive. Ω

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Welcome Dinner

The Chamber hosted a dinner at the Plaza Hotel for Seminar sponsors. Left: Ricardo Jove with Mar Rodriquez, Miguel Angel Diaz, Carlos Estevez, and Juan Ramon Duran of ENISA. Right: Mr. Jove with Ricardo Gómez Acebo of Banesto.

The Seminar

At right, fielding questions from Seminar Participants, L to R: Luis Valero and Ramón Bustamante of Banesto; Jay MacDonald of the Goldhirsh Group; Juan M. Hoyos and Francisco Moreno of McKinsey; Carlos Estevez of ENISA; Mariano Muela, Trade Commissioner.

Far Left: Spain's Secretary of State for Commerce, Apolonio Ruiz Ligero gives the Seminar's opening address.

Left: Attorney Carlos Palao discusses issues addressed by the seminar with participant Marylinda Ramos of Bank of America International.

Left: Juan Ramon Duran of ENISA, focuses on Spain's industrial policy for the '90s and ENISA's role in guiding foreign companies through the investment process.

Left: Jose Antomian, Director of Industrial Products and Technology of the Commercial Office of Spain, and Juan M. Hoyos of McKinsey & Co. review seminar topics.

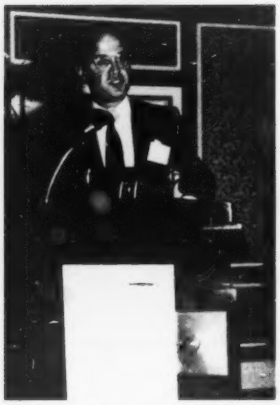
Above: Carlos Estevez, President of ENISA, addresses the seminar participants.

Left: Seminar participants listen to presentations regarding investment in Spain by ENISA, Banesto, and McKinsey & Co., the Seminar sponsors.

Above: Attorney Jose M. Beneyto covers legislative reforms affecting investment in Spain.

Left: Luis Valero of Banesto speaks with Dennis McNamara of DuPont regarding various points of interest raised by the Seminar.

Above: Participants receive materials detailing information presented at the Seminar.



Francisco Moreno of McKinsey & Co. stresses the need for a long-term investment outlook.

Below: Miguel Sebastia, Executive Director of the Chamber; Jane Blansfield and Howard Kaplan of the Goldlush Group; and Christa Seewald, Seminar Coordinator, at the close of the Seminar.

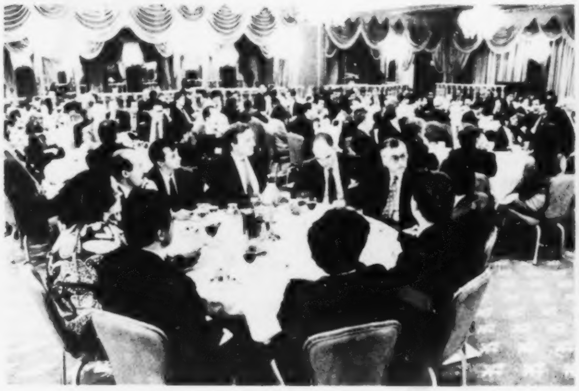
Above: Ramon Bustamante of Banesto informs the seminar participants of the outlook for retail banking in Spain in the '90s.

Seminar Lunch

Left: Robert Nemeth, President of Pfizer International, gave the keynote address which focused on Spain's strong investment potential and the forecast for the pharmaceutical industry in Spain.

Below: Seminar participants and members of the Chamber listen to the remarks of Mr. Nemeth.

Right: Paulina Beato of Banesto and Ambassador Miguel de Aldasoro, Consul General of Spain in New York, exchange views on Mr. Nemeth's conclusions.



Claudio Aranzadi, Spain's Minister of Industry and Energy

Spain's Minister of Industry and Energy Discusses Initiatives to Attract Foreign Investment

In October at a luncheon hosted by the Spain-USA Chamber of Commerce at the Plaza Hotel in New York, H.E. Claudio Aranzadi, Minister of Industry and Energy of Spain, spoke about the country's continuing efforts to sustain its robust economic growth in light of a strong peseta and the Persian Gulf oil crisis. Mr. Aranzadi stressed the importance of foreign investment as a crucial requisite and stated, "foreign direct investment must continue to play a major role in Spain's economic growth...and foreign firms have the full backing of our government."

Important growth indicators such as an annual average GNP growth of 5% since 1986 and an annual reinvestment rate ranging from 19% to 45% in real terms over the same period make a strong case for Spain's economic potential. Indeed, Spanish and foreign investment in 1989 amounted to $12.5 billion, representing a 46% increase over 1988.

Mr. Aranzadi made clear that his government is aware of the need to "maintain and improve" Spain's competitiveness. He singled out Spain's infrastructure, including transport and telecommunications, as the area that would receive greater attention in the coming years. The aim is to increase the rate of Spain's modernization and overall integration into the Common Market by increasing productivity and product differentiation.

"An open market along the lines of trade liberalization with the European Community (EC) is the main goal of Spain," claimed the Minister before he proceeded to outline the government's two-pronged approach to this goal. First, Spain is currently implementing a new National Energy policy that seeks to diversify its resources by further developing and coordinating hydroelectric and coal-generated power. Through government incentives and procurement programs Spain is encouraging a trend of privatization in this sector. Special attention will be given to those projects involved with the protection of the environment.

A second strategy is to bolster and sustain competitiveness of the firm by focusing on its level of technology as measured by the level of corporate borrowing and reinvestment. This tactic calls for another set of government investment incentives and aids which target specific technological areas in such industries as automotive, where many large multinationals played a dominant role, and the electronic and chemical sector, where many small firms operate. Mr. Aranzadi pointed out that Spain was ranked fourth among the EC member states that received technology-related investment subsidies from the EUREKA program.

A Chamber member brought up the issue of Spain's high dependence on imported oil. Minister Aranzadi agreed that Spain's level of dependence on synthetic gases and oil, particularly hydrocarbons, was higher than the EC average. However, he continued to say that once Spain reached its full capacity to efficiently extract and refine its natural gases, this level would be more in line with the EC average.

The issue of Spain's high exchange rate was also raised in the context of making more difficult foreign investment in the short term. The Minister explained that the strong peseta has been partly caused by the integration into the European Monetary System (EMS). The peseta has continued to hover near the high end of the currency variation band, in part, because of Spain's surplus in the service sector trade balance stemming from tourism. Mr. Aranzadi added that membership in the EMS has greatly increased the effectiveness of Spain's fiscal policy tools in its efforts to manage inflation.

In closing, the Minister stressed the importance for a foreign company to choose the "right" location when considering an investment in Europe. Mr. Aranzadi pointed out the recent examples of General Electric Plastics and Dupont as two U.S. multinationals that chose the autonomous regions of Murcia and Asturias for their respective manufacturing investments. He cited high concentration of industrial activity and the investment incentives as important in their decisions to operate in Spain. A press reception followed the luncheon. Ω

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Chamber Forms Quincentennial Committee

At its September 19, 1990 meeting, the Spain-USA Chamber of Commerce's Board of Directors approved a proposal to create a committee designed to coordinate the participation of the Chamber in the commemoration of the quincentennial anniversary of the voyage of Christopher Columbus and celebration of 500 years of Spanish heritage in America.

The Committee's efforts will compliment those of the Chamber's already existing Expo '92 and Olympics committees.

Mr. Luis Bonel of J.G. Stanley and Co., the exclusive U.S. licensing and marketing agency for the Spain '92 - Five Hundred Years of America program, was nominated as the committee Chairman.

The dimensions of the Spain - USA Quincentennial are broad and will reach audiences throughout Spain, the USA, and the world. The projects will focus on educational and cultural subjects, as well as on commercial enterprise. Some of these commercial endeavors will include corporate sponsorships, special events, quality licensing and merchandising, sales promotions, and cross-merchandising and premiums.

The Chamber plans to play an integral role in the commercial enterprises related to the Quincentennial celebration and link between the USA and Spain. The formation of the committee is a step in this direction. Ω

Lorenzo Olarte, President of the Autonomous Region of the Canary Islands, with Ricardo Jové, President of the Chamber

Canaries and Chamber Sign Cooperation Agreement

At a working breakfast organized by the Spain-USA Chamber of Commerce on October 24, 1990 at the Waldorf-Astoria, the President of the Autonomous Region of the Canary Islands, H.E. Lorenzo Olarte, along with several of his top advisors, addressed guests regarding investment opportunities and tourism in the Canary Islands.

Covered by the Spanish press and regional television of the Canary Islands, the breakfast was attended by a select group of both Spanish and U.S. bank branch managers, real estate investors, and tour operators. Mr. Javier Collar, Deputy Consul General of Spain in New York and Mr. Mariano Muela, Trade Commissioner, also were present. Mr. Luis Padilla, the General Manager of Proexca, a regional company for external promotion in the Canary Islands, represented the companies which have met with economic success there.

Mr. Ricardo Jové, President of the Chamber, welcomed Mr. Olarte to New York City on the occasion of his first official visit as President. He expressed the mutual interest of the Chamber and the Canary Islands' Regional Government in strengthening ties.

This was made manifest by the signing of a plan of cooperation by Mr. Olarte and Mr. Jové, effective January 1991. As part of the plan, the Chamber agrees to assist the Canary Islands' Government in promoting investment and tourism in the USA by providing logistical support and a base of operations in New York for a representative of the Canary Islands' government.

Mr. Olarte addressed the guests, stressing that not only is the infrastructure of the Islands highly developed, but that it will improve thanks to a European Community grant of $400 million. The existing infrastructure already is able to handle not only the 1.5 million inhabitants of the Islands, but also the 6 million tourists a year.

With an inflation rate 1% below the mainland's rate, the fiscal outlook for the Canary Islands is favorable. for investment. Companies based in the Islands are not taxed for operations effected with non-European Community countries. Thus, the Islands are a partial free trade zone. Moreover, strategically located off the coast of Morocco, the Canary Islands are an ideal center for redistribution.

Mr. Olarte outlined the types of investments that the Canary Island government plans to support. The government will promote "high standing" tourism through development, and is willing to contribute to any project devoted to enhance the quality of Island tourism.

The government aims to have golf courses, sporting complexes, and up-scale leisure activity centers constructed. In addition, it plans to encourage the manufacture of products, as varied as clothing and foodstuffs, that currently they import, and to promote the development of light industries, such as electronics, for exportation.

INVESTMENT INCENTIVES IN THE CANARY ISLANDS

Mr. Olarte and Mr. Luis Hernandez, Economic and Commerce Advisor, detailed the types of investment incentives offered by the Canary Islands' government, particularly, subsidies of up to of 50% on approved investments in certain promotional areas. Given the scarcity in the islands' primary resources, these areas include extraction and transformation industries, particularly those which apply advanced technologies or use alternative energy, as well as industrial support and commercial services. Agricultural foodstuffs and canning industries for fish products represent additional areas.

Traditionally, the Islands have attracted primarily European sun-seekers. However, encouraged by their success in attracting Canadian tourists, the Canary Islands' government hopes to increase American tourism. Bearing in mind that the USA has many different target groups within the single tourist market, to achieve maximum results the Canary Island government is designing modest promotional campaigns targeted at specific U.S. audiences. To avoid the adverse effects that a mild European winter has on Island tourism and to attract Americans who could seek the sun closer to home, the government is considering development projects which would add diversity to a tourists' stay in the Islands.

The breakfast guests had the opportunity to discuss the points raised by Mr. Olarte and members of his government. Among the Chamber members who participated in this discussion were Mr. Francisco Alcón of Banco Hispano-Americano, Mr. Alvaro Ureña of Iberia Airlines and Mr. Pedro Rodriguez of Hispanidad Holidays.

A video illustrating the allures of investing in the Canary Island and the attractions for tourists was shown. Both the video and promotional materials, which outline in detail the investment incentives offered by the Canary Island government, were distributed.

At the close of the breakfast, as an expression of appreciation of the efforts of the Chamber on behalf of the Canary Islands, Mr. Olarte presented Mr. Jové with a silver medallion of the insignia of the Autonomous Region of the Canary Islands. Ω

The Spanish Ambassador Visits New York

On the occasion of his first visit to New York City as the Ambassador of Spain to the USA, the Spain-USA Chamber of Commerce organized a luncheon in honor of H.E. Jaime de Ojeda, held at the University Club on September 11, 1990.

Guests included senior executives of U.S. companies with a strong presence in Spain, and Spanish companies with important economic ties to the USA. Also in attendance was Ambassador Miguel de Aldasoro, Consul General of Spain in New York.

The luncheon gave the Ambassador the opportunity to meet these high-level members of the Spain-USA business community based in New York. He discussed with them their goals and concerns regarding the future of economic exchange between the two countries.

At a press conference following the luncheon, Ambassador Ojeda told members of the Spanish press and THE BUSINESS LINK that he is very interested in the Chamber as a communications platform to discuss and enhance economic relations between the USA and Spain. He added that he is eager to cooperate with the Chamber in their efforts in this regard.

As THE BUSINESS LINK went to press, Ambassador Ojeda was the guest of honor at a December 5, 1990 luncheon at the Waldorf-Astoria, organized by the Chamber together with the Spanish Institute. The luncheon was attended by over one hundred guests. Ω

Amb. Jaime de Ojeda at the University Club luncheon with top executives of Spanish and U.S. companies and financial institutions

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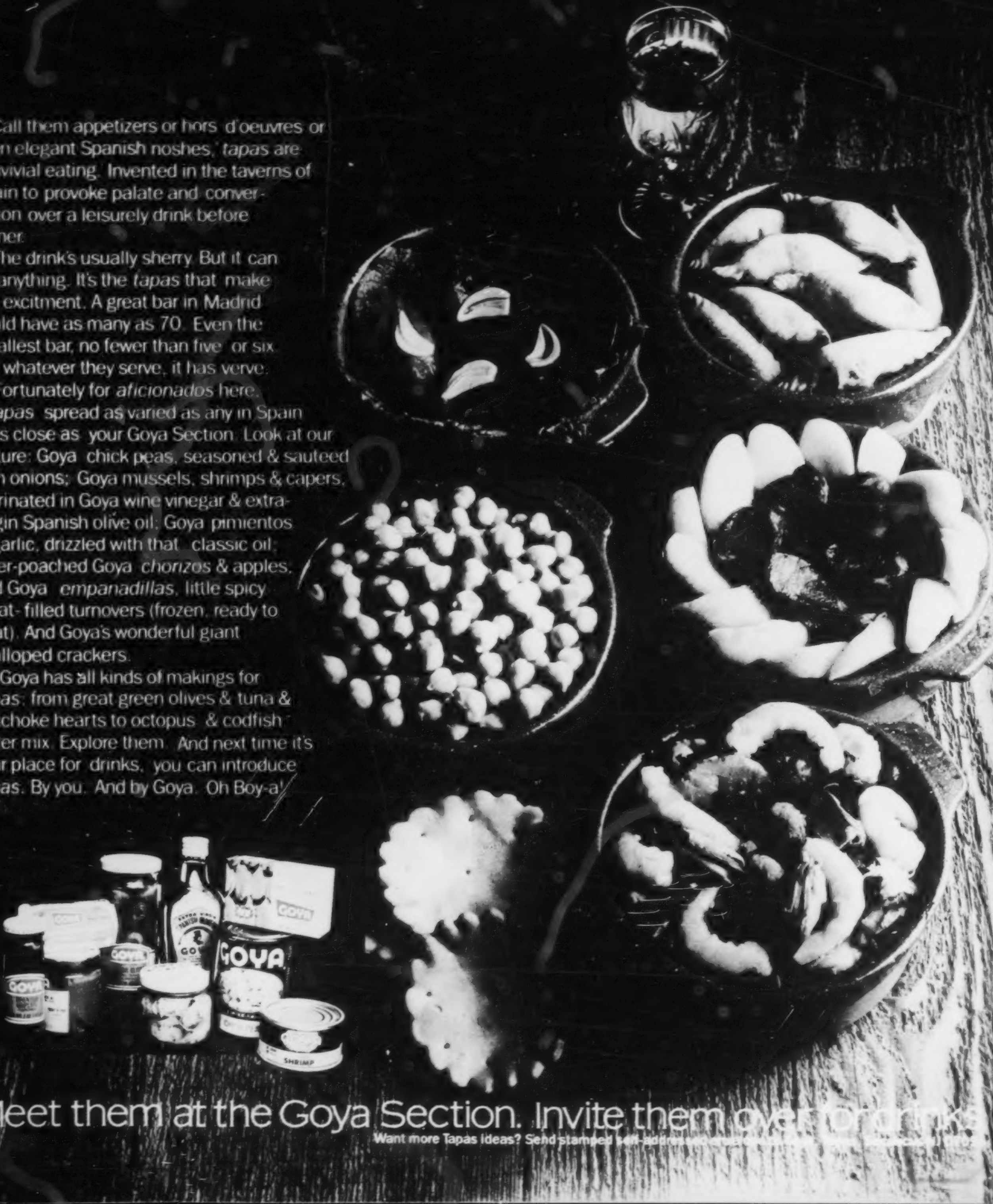
Goya introduces Tapas

Call them appetizers or hors d'oeuvres or even elegant Spanish noshes, *tapas* are convivial eating. Invented in the taverns of Spain to provoke palate and conversation over a leisurely drink before dinner.

The drink's usually sherry. But it can be anything. It's the *tapas* that make the excitment. A great bar in Madrid could have as many as 70. Even the smallest bar, no fewer than five or six. But whatever they serve, it has verve.

Fortunately for *aficionados* here, a *tapas* spread as varied as any in Spain is as close as your Goya Section. Look at our picture: Goya chick peas, seasoned & sauteed with onions; Goya mussels, shrimps & capers, marinated in Goya wine vinegar & extra-virgin Spanish olive oil; Goya pimientos & garlic, drizzled with that classic oil; cider-poached Goya *chorizos* & apples; and Goya *empanadillas*, little spicy meat-filled turnovers (frozen, ready to heat). And Goya's wonderful giant scalloped crackers.

Goya has all kinds of makings for *tapas*: from great green olives & tuna & artichoke hearts to octopus & codfish fritter mix. Explore them. And next time it's your place for drinks, you can introduce *tapas*. By you. And by Goya. Oh Boy-a!



Meet them at the Goya Section. Invite them over for drinks.

Want more Tapas Ideas? Send stamped self-addressed [illegible]

Chamber Participates in Boston University's Eurostrategies Seminar

Presented by the Europe 1992 Magazine and the Boston University Corporate Education Center, the Eurostrategies Seminar was held in Tyngsboro, MA from October 22-24.

An international business conference, Eurostrategies provided information regarding the development of investment strategies to companies interested in doing business in Europe in the nineties. The conference featured leading experts who gave keynote addresses, presentations, and workshops. Some two hundred top executives from around the USA representing companies with interests in Europe attended the seminar.

The Deputy Director of the Spain-USA Chamber of Commerce, Joan Artigas, hosted a reception for seminar participants interested in investing in Spain. The cava for this reception was donated by Freixenet. Mr. Artigas was interviewed by Business Radio 1150 AM, a Boston-based business news station. In the interview he explained the role of the Chamber as an organization which promotes business relations between the USA and Spain.

On the 24th, Jose Antonijuan, Director of the Industrial Products and Technology Department of the Commercial Office of Spain, participated in a panel discussion regarding investment opportunities in Europe. Ω

Empresarios De Cantabria En Nueva York

En octubre se desplazó a Nueva York una Misión Comercial de la Cámara de Comercio de Cantabria, compuesta por 45 personas que representaban a otras tantas empresas de aquella Comunidad Autónoma.

En su mayoría eran representantes de pequeñas y medianas empresas y a los cuales la Cámara de Comercio EE.UU-España les organizó algunas de las actividades a desarrollar en la ciudad. Hubo una charla sobre distintos aspectos de la Distribución Comercial en la Ciudad de Nueva York que tuvo como ponente a Jose Manuel Cabrero, representante para Europa de la empresa Garric-Aug World Wide Ltd. (Consultoria en Distribucion Comercial). Asi los empresarios cántabros pudieron constatar las diferencias de ambos mercados, al español y el neoyorquino, no solo en cuanto al comportamiento del consumidor sino también en cuanto a las caracteristicas de la oferta y a las actividades necesarias para la implantación de un negocio en la ciudad.

También se prepararon entrevistas comerciales para algunas empresas que lo solicitaron que pertenecían a sectores tales como hosteleria, muebles y construcción, y que estaban en pleno proceso de decisión para emprender relaciones comerciales con EE.UU.

Según cada sector se facilitó todo tipo de información útil a la hora de invertir en el mercado norteamericano.

Jesus de las Cuevas, Agustin Gutierrez-Cortines y Pilar Fernandez-Cavada, Presidente, Secretario General y Jefe del Servicio de Comercio Interior respectivamente de la Cámara de Comercio de Cantabria, se reunieron con miembros de nuestra Cámara para intercambiar opiniones sobre las diferentes estructuras de ambas cámaras, así como para concretar el establecimiento de unas nuevas relaciones tanto en materia de publicaciones como en diversos tipos de ayudas que ambas pudiesen necesitar en el ejercicio de su actividad. Como punto final, pero decisivo para consolidar dichas relaciones, la Cámara de Cantabria manifestó su intención de inscribirse como miembro de nuestra Cámara. Ω

VACATION SPECIAL

Hispanidad Holidays is offering Chamber members and their families a 10% discount in fares for the following companies and desinations:

Iberia Airlines	Spain
Pan American	Europe and Latin America
Tap Air Portugal	Portugal
Eastern Airlines	Carribean and Florida
Air Europa	Spain

Jesus de Azcarreta, a founding father of the Chamber

In Memorium

A "Founding Father" of the Spain-USA Chamber of Commerce, Jesus de Azcarreta, died last June in Madrid, where he resided for many years. I had known Mr. Azcarreta since 1952 when he lived in New York and had offices on Madison Avenue.

In 1959 he enthusiastically accepted the invitation of the Ambassador of Spain to the USA, H.E. Jose M. De Areilza, to join a small group of businessmen who became the "Founded Fathers" of the Chamber.

Accepting an assignment from a U.S. firm, he later moved to Madrid where he lived until his death. During those years, Mr. Azcarreta acted as the Chamber's honorary delegate there.

In 1976, Mr. Azcarreta formed part of the entourage of H.M. the King of Spain during the royal visit to New York City.

He was instrumental in the decision of the Prime Minister of Spain, Felipe Gonzalez, to join the Chamber in 1982. Jesus de Azcarreta will be greatly missed by all who knew him. My deepest sympathy goes to his wife Annemarie, daughter Nathalie and son Alexis. Ω

—John E. Codina,
Founding Father

IBERIA'S NEW SPACESHIP

A new dimension in inner space. New 747 combi's to ship large cargo.

A giant step toward better cargo service.

Iberia's new 747 combi SpaceShip blasts off from New York non-stop to Madrid, with cargo shuttle service every day of the week except Wednesday.

Our vast inner space reaches new heights and new lengths to meet your needs in shipping oversized payloads in one easy piece.

Iberia also has widebodies and freighter service waiting in Madrid—so you've got great connections to Europe, Africa and the Middle East.

And a new direct-dial computerized reservation system that instantly confirms your shipment.

For SpaceShip information and reservations, call an Iberia SpaceShipper at **1-800-221-6002. In N.Y.C. 718-632-1240.**

IBERIA
CARGO

"Made in Spain" in America

Five Spanish products are sustaining their penetration of the U.S. market with a mixture of old-world charm and marketing know-how despite the exchange-rate challenge faced by their parent companies in Spain

As a group, Spanish footwear manufacturers make Spain the fourth largest shoe producer in the world.

Over the past two months, THE BUSINESS LINK staff contacted the marketing departments of our corporate members in the United States with the request that they provide an assessment of their products' sales and marketing operations. There is no doubt that part of the reason for their very favorable responses is because we assured them that no two similar products/industries would be featured in the U.S. Business section of our magazine. The primary motivation for their editorial support, however, is due to the fact that many Spanish products are succeeding in cornering significant market share in the largest western consumer market, particularly since 1986 when Spain joined the Common Market.

The following group of articles uniquely brings together the experiences of five Spanish companies, who are members of the Spain-USA Chamber of Commerce and operate primarily in the northeast of the United States. A wide spectrum of products is featured including stainless cookware, men's fashions and wines and spirits. Not only are the products in different stages of their overall business expansion in the United States, but the methods used by the Spanish companies to enter the U.S. market reveal an interesting cross-section of transactions, including outright acquisition, the establishment of a wholly-owned subsidiary and a merchandise retailing arrangement with one of the largest department stores in America.

Despite the challenges presented by the American market—faced both by the parent companies, with the higher peseta/dollar exchange rate, and by the U.S. operations, with the current general economic downturn in this country—these Spanish companies have realized the necessity of securing an international business presence here in their respective industries. Moreover, their strategic marketing techniques are currently getting significant leverage from Spain's image in the United States as the newest economic powerhouse in the European Community.

Stainless Cookware A la Mediterranean

How do you market Mediterranean romance with 18/10 stainless steel? Successfully, if your product is superior cookware, distributed in America by Bra USA Inc., a wholly-owned subsidiary of Concepto Bra S.A., Barcelona. So successfully, in fact that in the two years that the American company has been incorporated, sales volume has multiplied fivefold, and the product line is currently available at more than 500 points-of-sale in the major markets of the United States.

Bra's stainless steel cookware was first introduced in the mid-Eighties at the well-known Chicago Housewares Show, and the initial merchandising was handled through a local distributor. Prospects were encouraging enough for the formation of the American subsidiary in 1988, headquartered in Little Ferry, N.J. and headed by Patricio Barriga, vice president, who had previously managed the marketing efforts in Spain and the United States for the Myrurgia Group of Barcelona.

That marketing expertise has brought 500% growth to Bra, with distribution in key department stores like Bloomingdale's, Macy's, Bullock's, Belks, Dayton-Hudson, Elder-Bierman, Harris in California, Liberty House in Hawaii, and gourmet specialty stores. Bra USA Inc. handles Puerto Rico as well, and is beginning to open up a distribution network in Canada.

SPANISH CULTURE AS SALES TOOL

"Our success is not only based on a high-quality product, but also comes from the uniqueness of our marketing strategy," Barriga points out. "In our advertising, point-of-sale displays and promotions, we communicate an image using the culinary tradition and ambience of Spain so that there is a Spanish touch in every American kitchen." The high quality of 18/10 stainless steel is a major asset, he adds. "When we sell that, we are equal to our competition. But we can say that we are truly more than equal, because we have the plus of Spain's culture and history as an unsurpassed selling point."

Oro Inox, the product line leader, is a good example, offering as it does a complete line of 18/10 stainless cookware accented with solid brass handles to give each piece a sleekly designed golden touch. On the promotional level, Bra has pointed out that the earliest explorers came to this continent in search of gold, and that "now Bra brings gold to America".

The golden touch is also available in the Dorado line, elegant stainless steel "hostessware" including trays, wine coolers and other serving pieces. Other Bra merchandise includes its Speedy pressure cooker, a fast-growing category in this era in which the consumer is time and health conscious as well as aware of the need to conserve fuel. There is Thermoplan, designed with bakelite handles; Super Bra, featuring a unique water-seal system which allows for natural cooking without addition of water or fat; and, for the restaurant and hotel trade, the Latina and Escandinavia lines of stainless steel equipment for all service needs.

> "In our advertising, point-of-sale displays and promotions, we communicate an image using the culinary tradition and ambience of Spain so that there is a Spanish touch in every American kitchen."

Advertising for Oro Inox pictures the product line in a Spanish environment, with a window in a stucco-walled kitchen opening to a charming view of the Mediterranean. Bra's advertising is placed in trade and consumer magazines. Newspaper cooperative advertising, department store catalogues, radio, and deals on TV game shows like the popular "Jeopardy" is also used.

HIGH INVENTORY TURNOVER AND STRONG RETAIL LINKS

Bra imports are aimed at the high end of the market. Priority has been placed on inventory, in order to provide fast service in shipment to clients. And a lifetime warranty is provided with every product in the line, giving confidence to the consumer. Retail links have also played an important part in their U.S. market penetration efforts. Barriga stresses that the setting up of in-store demonstrations, providing point-of-sale display materials, and incentive programs for store personnel as essential to achieving this goal. Another challenge overcome by Bra was the establishment of a dedicated sales force network. As a young company, the hardest part of the job was convincing desirable personnel that there was, indeed, a future for them—a point which has now been well proven. Most of Bra's sales network is made up of independent sales representatives who have their own businesses which do not carry competitive cookware lines.

Trade shows are a major tool for introducing Bra to prospective customers and for showing new additions to the line. But that's just the beginning. The use of full-fledged promotional programs is another important tool. When Bra recently supported Bloomingdale's storewide salute to Spain, well-known restaurant chefs demonstrated Spanish cuisine in eight of the stores in New York alone, Bra presented seven different restaurant chefs in a week of special demonstrations of the culinary secrets of Spain. Penelope Casas, a noted food writer whose "The Foods and Wines of Spain" is regarded as a classic, made a personal appearance, autographing her book. Her recent work, "Tapas, the Little Dishes of Spain," was used as a gift-with-purchase promotion.

Intense interest in Spain, building with the 500th anniversary of Columbus' discovery of America, the concurrent celebration of that event by a World's Fair in Seville, and the Summer Olympics in Barcelona—all coming up in 1992—make romancing of the Spanish culture an even more powerful as a sales tool. But, Barriga is realistic about recent major changes in the economy, most notably the problems of the department stores, leaving a gap which is being filled more and more by small gourmet and specialty stores. An even more important change, however, is in the attitude of the American consumer. "The quick-in, quick-out, fast-buck approach of the last decade is over," he avers. "Today's consumer has a growing perception of quality and a new appreciation for performance and utility." With consumer insistence on upgraded, high-end products and long-term value, Barriga predicts that Bra sales in the United States will double by the end of 1991. Ω

Men's Fashions from Barcelona to Bloomies

Five years ago Armando Lasauca Inglés risked everything he owned in order to set up a men's fashion shop called Massimo Dutti on Barcelona's tree-lined Via Augusta. It opened one day and closed the next. All the merchandise had been sold out.

This fall the Massimo Dutti franchise, now numbering 70 stores in Spain, expanded their operations internationally into the U.S. market by opening boutiques within six Bloomingdale's stores as part of the Bloomingdale's Spanish products promotion entitled "Spain: Europe's Rising Star."[see page 50] With plans to open twenty or more stores in Spain, and to market the brand not only in the U.S. but in Europe as well (mainly in Lisbon, Portugal), Mr. Lasauca and Massimo Dutti clearly are Spain's "rising stars" in men's fashion.

Massimo Dutti produces and sells men's garments and accessories including shirts, trousers, blazers, ties, poloshirts, jackets, raincoats, swimming trunks, under garments, watches, cufflinks, and cologne. Massimo Dutti is not the name of a real person, but is a brand created by Mr. Lasauca, the executive president of the Grupo Massimo Dutti, S.A. The name was invented by combining "lo máximo," the superlative expression used frequently at Mr. Lasauca's home meaning "the most," and "Armanduti," his childhood nickname.

The success of Massimo Dutti has been staggering, as in just five years it has become the leading men's fashion commercial distribution chain in Spain. In its first full year of operating in 1986 it invoiced 538.9 million pesetas ($3.8 million) worth of merchandise. This figure rose to 1.4 billion pesetas ($12.5 million) in 1987, 2.6 billion pesetas ($23.6 million) in 1988, and 4.5 billion pesetas ($38.1 million) in 1989. The sales forecast for 1990 is for 6 billion pesetas ($58.8 million) [annualized peseta/dollar exchange rates]. Moreover, approximately 400 jobs have been directly generated by the company, and 600 indirectly.

In 1989, the investment company Cofir, the branch in Spain of the Italian businessman Carlo de Benedetti, along with the Banco Bilbao-Vizcaya, Banco Zaragozano and Conycon, bought 49% of Massimo Dutti and gave it the necessary financial resources, over 2 billion pesetas, to continue to expand.

LOW RISK AND HIGH POTENTIAL RETURN

The opening of Massimo Dutti boutiques in six Bloomingdale's stores as part of the "Rising Star" promotion in fall 1990 represented the company's penetration of the U.S. retail market.

This came about not because Massimo Dutti decided to aggressively market its products in the U.S., but rather, the president of Bloomingdale's of New York City, Marvin Traub, en route from Cairo to New York, happened to go into one of their stores in Madrid and purchase a shirt. Impressed by its quality and design, Mr. Traub contacted Mr. Lasauca. The result has been that Massimo Dutti, with almost no investment capital and minimal financial resources, has entered the U.S. market by opening a boutique in one of the principle retailing stores in the country. Given the competitiveness of this market, it is difficult to deny that this is an ideal way of testing the success of a product. The risk is low, while the potential return is high.

> Everything sold at their stores is of their own design and production. This eliminates costs of middlemen, and the savings are passed on to consumers

The Massimo Dutti image has come to represent high quality men's wear at a reasonable price. The company puts a high premium on rigorous business management. Everything sold at their shops is of their own design and production, which is often executed by computers. This eliminates the cost of middlemen, and this saving is passed on to the consumer. Even those articles of clothing which are not made by them directly but which are entrusted to third parties to manufacture, are based on the patterns, materials and prints created by Massimo Dutti.

Each season over 1000 shirt designs are created. Massimo Dutti uses low quantities in the fashion prints to avoid the models from being seen too frequently on the street. In this effort,the stores display new designs, fabrics, and colors every few weeks. Thus, the supply is constantly renewed and there is always a constant flow of changing men's fashions in the Massimo Dutti shop window to tempt the customer.

Massimo Dutti never has end-of-season sales. Its prices are constant throughout the entire year, as the "sale" is that the goods are always priced below the average market price.

The success of Spain's Massimo Dutti in the U.S. retail market is by no means a sure bet. The service sector recession in the USA has taken its toll in practically all areas of the retail industry and in New York City, home of the "garment district," small and large clothes retailers alike are feeling financial constraints.

Dutti's target market segment of "fashion-conscious men," however, could enable the company to better weather the economic downturn because their upscale customers might be less affected in their spending habits and, thus, less willing to compromise on their clothes purchases. This observation, combined with Dutti's aggressive merchandising and its relation with the Bloomingdale's retail network, argue for a favorable outlook. Ω

Wines and Spirits "Image Brands"

Domecq Importers, Inc. is in the business of selling premium brands of imported wines and spirits in the United States. Established in 1981, Domecq Importers is a subsidiary of the House of Pedro Domecq in Spain. The company is a professional team of people devoted to giving value, in the form of fine products and support services, to a customer base that includes suppliers, distributors, retailers and restauranteurs and the end consumer. The company's case volume has grown in each of the last 6 years and now exceeds 1 million cases with sales of over $50 million.

Long known in Europe, the Domecq brands from Spain have been carefully developed in the U.S. Brand names include La Ina and Double Century Sherries, Carlos I and Fundador brandies, Marques de Arienzo Rioja wines and Lembey sparkling wines. To ensure the ultimate control over quality, Pedro Domecq Spain owns the vineyards and production facilities of Marques de Arienzo Rioja wines and Domecq sherries and brandies from the Jerez region.

> **[The brands' strong appeal in the hispanic market and their high profile, premium image have stimulated volume growth and an increase in revenues for distributors]**

The parent company, Pedro Domecq, extended operations to Mexico in the mid-1950's and developed Presidente Brandy which has grown to become the largest selling brandy in the world. Presidente is now a major brand in metropolitan markets across the U.S., particularly in markets like Los Angeles where Mexicans have emigrated in significant numbers. Don Pedro, a solera reserva brandy from Mexico, is also showing strong growth figures in the United States.

The U.S. marketing rights for Sauza Tequila, the oldest and largest tequila in Mexico, was acquired by Domecq Importers in 1987. The brand has been growing at double digit rates since that time. With the strong reputation of Domecq brands in Spain and Mexico, Domecq Importers' philosophy understandably has been to aggressively market its own brands in U.S. markets where there are concentrations of Spanish-speaking people. Today,however, building its suppliers' brands in every state and regional market is now the overriding objective and philosophy of Domecq.

The Northeast sector of the United States is perennially among the healthiest regions of the country for wine and spirit sales. Although total distilled spirits have been declining for the last 10 years due to a growing trend toward moderation, the Northeast's share of the total market has remained stable.

An important trend in the industry that has been very apparent in the Northeast is the growth of premium brands. Domecq has long specialized in these "image brands" with their Carlos I, Sauza Conmemorativo and rare sherries like Sibarita. Northeast urbanites gravitate toward these brands because they are more often advertised and promoted, and typically cost more. Despite the economic recession, such "image brands" remain an affordable luxury.

The three-tier system of wine and spirit distribution in the U.S. evolved after the repeal of Prohibition in the 1920's. Distributors in this country sell the products of any number of wine and spirit companies to licensees, which keeps them from favoring one brand over another while selling the widest selection possible. Supplier companies like Domecq Importers provide strategic direction for the marketing and selling of their brands as well as merchandising direction and advertising support. The distributor, in turn, provides street salesmen, warehousing and trucking for the products and a billing function to the accounts that purchase the products.

Domecq has been unusually successful for a company of its size (considerably smaller than such well known and well-funded companies as Seagram, Gallo and Hiram Walker) in getting its distributors to devote significant time to its brands. The brands' strong appeal in the Hispanic market and their high profile, premium image have stimulated volume growth and resulted in an increase in revenues to the distributors.

U.S. population forecasts indicate continued growth in the percentage of Hispanics residing in major markets. This trend bodes well for Domecq Importers. Marketing efforts by the parent companies in Spain and Mexico also have a positive effect on Hispanics visiting and emigrating to the U.S. In addition to this source of growth, other wine and spirit companies, including Hiram Walker, prestigious French wineries and Quinta do Noval, the premier Port producer, have brought their brands to the marketing and sales strength of Domecq Importers. Ω

Spain Puts Its Best Foot Forward

The increase in production costs in Spain and the weak U.S. dollar have negatively affected Spanish footwear sales in the U.S. marketplace. To keep these products competitive, "Fashion from Spain," a non-profit marketing organization created by the Spanish government, markets the footwear on the behalf of Spanish manufacturers as a high quality designer product to upscale consumers in the United States.

Founded in 1986 by the Spanish governmental Instituto de Comercio Exterior (ICEX), "Fashion from Spain" serves as a liaison between Spanish companies and the American trade and consumer and aggressively promotes brand names and manufacturers. In addition to footwear, "Fashion from Spain" promotes jewelry and ready to wear for men, women, and children. According to the Director of "Fashion from Spain," Mercedes Lamamie de Clairac, "Our objective is to establish Spain as an international design source for footwear, fashion and jewelry through marketing programs aimed at the trade and consumer."

For decades Spain has exported footwear to the United States. Largely due to the high quality/low price correlation, Spanish shoes, sandals, and boots have sold well in the U.S. marketplace. Smart shoppers, who generally did not identify Spanish shoes by their brand names and who most likely did not rate Spain as a key international design source, purchased these stylish, well-made products at a moderate cost. Spanish footwear remained competitive in the U.S. marketplace, as evidenced by these products cornering 7.7% of the market's total dollars in 1985, a year in which the dollar/peseta exchange rate was nearly double of what it is today.

In recent years, however, the weaker position of the U.S. dollar in relation to the Spanish peseta, combined with the rise in production costs in Spain, has made Spanish footwear more expensive. In turn, the U.S. consumer who was interested only in purchasing inexpensive products no longer had an incentive to buy footwear "made in Spain," given its higher relative cost.

DIFFERENTIATION vs COSTS

In order to maintain and attempt to increase their U.S. market share, Spanish footwear manufacturers exporting to the USA sought to emphasize quality and design over price, a strategy of differentiation versus one of costs. They created promotional campaigns which emphasized the innovative style of their products, as well as the superior quality of their materials and workmanship. These campaigns were designed to target the style-conscious, up-scale U.S. consumer.

Today Spanish shoe manufacturers and exporters not only aim to project the image of Spanish footwear as "top-of-the-line," but also they seek to familiarize the consumer with brand names. Clearly, while the industry focused on quantity in its developmental stages, more recently the country has directed its energy toward quality and fashionable designs. With the support of "Fashion from Spain," not only have the promotional campaign objectives been met, but surpassed.

Although working extensively with its other fashion products, "Fashion from Spain" concentrates much of its efforts on footwear. Surprisingly, Spain is currently the fourth largest shoe producer in the world. Footwear is one of Spain's top five major exports, comprising 2.6% of the country's total exports. Moreover, the USA is the number one market for Spanish footwear exports, with Spain exporting 34.5% of its total footwear shipments to the United States and Canada. Footwear represents 11.1% of all Spanish exports to the United States.

"Fashion from Spain" has designed a generic-oriented marketing campaign which promotes "Shoes from Spain" as a product category, but also provides the same marketing advice to separate and competing brands. The products are targeted at specific consumer groups, particularly up-scale, fashion-conscious consumers in the market to purchase stylish, well-made, footwear to complement his or her wardrobe.

Bilateral Footwear Trade Spain/U.S. in 1989

U.S. imports from Spain: $344,739,000 or 4.7% of U.S. import market (830 million pairs)

U.S. Exports to Spain: $4,891,000 (15 million pairs)

Top Country Suppliers to the U.S. (% of Quota):

Korea	29.88	Italy:	13.16
Brazil:	18.49	Spain:	5.90
Taiwan	14.42	Other:	18.15

Source: "FASHION FROM SPAIN"

By giving promotional advice, marketing know-how and a support staff in the United States, "Fashion from Spain" primarily seeks to help well-established companies in Spain that plan to either increase current exports or initiate exports to the USA. Not only do these companies have export capacity, but often prior export experience. The main footwear commodity is leather shoes, or 73.9% of Spain's total footwear exports in pairs. The U.S. market is recipient of 24.9% of total leather shoe exports from Spain.

COST-EFFECTIVE TRADE AND CONSUMER ADVERTISING

The cornerstone of "Fashion from Spain's" marketing strategy is strong trade advertising programs and cost-efficient consumer advertising. In 1989 "Shoes from Spain" participated extensively in trade shows, including such New York fairs as Fashion Footwear Association of New York (or FFANY) and National Shoe Fair of America (or NSFA). As part of their public relations campaign, "Fashion from Spain" has organized press and buyer trips to Spain, in-store promotions, and fashion presentations during market weeks. The "Fashion from Spain" team keeps an educational and information data bank. In addition, they publish a newsletter, produce seasonal "fashion footwear trends" supplements, and distribute press and promotional materials.

Some of the leading Spanish women's footwear brands participating in the current promotional campaign, include Roberto Noguerón, Alvaro Carpena, Miss Diva, Pura López, Paco Gil, Martinez Valero and Roberto Gil. These brands are becoming increasingly recognized by the U.S. fashion and quality-conscious consumer.

Although the promotional campaign has been mounted on a national scale, most of the efforts and activities have been and continue to be focused on New York City, traditionally seen as one of the fashion capitals of the world.

Spanish footwear manufacturers and exporters clearly have their "foot in the door" in the U.S. marketplace. During 1991 "Fashion from Spain" plans to continue to organize promotional campaigns and events. With the Olympic Games in Barcelona and the World's Fair in Seville, both scheduled to be held in 1992, awareness of Spanish products will increase and heightened media coverage will occur. "Fashion from Spain" plans to use the interest and increased visibility generated by 1992 to promote the "made in Spain" label. Ω

MEG A. BOZZONE, *Managing Editor of The Business Link, wrote this article.*

Educational Video Magazines

Opportunities for forging stronger relations between the European Common Market countries and the United States have never been more timely and attractive. Cultures are being brought closer together via communications technologies which reach into virtually every home and business with increasing effectiveness.

Grupo Liga, the holding company that owns one of the largest Spanish communications groups, CID, recently purchased a majority interest in Eagle Multimedia Services, Inc., a New York-based communications company specializing in educational and commercial video programming. The acquisition culminates a long standing relationship between CID and Eagle which began as a joint venture in 1988 to produce a monthly video magazine entitled "Espana y Las Americas."

The deal was a great success, and after closely analyzing the development of interactive and other media-related initiatives, Grupo Liga decided to invest more seriously in the communications industry in the United States by acquiring Eagle. The purchases were completed this past summer after several months of negotiation. Jose Miguel Garrigues Walker, Chairman of Grupo Liga comments that "Eagle was an important acquisition for us because it provides us with a permanent and effective presence in the communications market in the United States."

Eagle Multimedia currently publishes videos and specializes in the co-production and acquisition of authentic foreign language programming as well as in the development of pedagogic materials to accompany these videos. Reflecting the rising level of foreign language enrollments in the United States and of foreign commercial involvements, the company was created in 1986 in response to the demand by professionals and educators for authentic, contemporary, and culturally relevant materials about Spain and the Americas, France, Germany and the Province of Québec.

As one of Eagle's main products, "Espana y las Americas" is a 45-minute video program, produced each month in Spain, which features news, economic, social and cultural segments from the various regions of Spain and from Latin American countries as well. It is distributed in the educational market throughout the United States by McGraw-Hill Publishing Company, thus reaching several thousand universities and schools. It also appears on The Learning Channel, a cable network reaching 21 million households and over 20,000 schools, colleges, universities and businesses.

Companies in the interactive video industry are aggressively developing new products and penetrating new markets. For Grupo Ligo, the US market has great potential. The outright acquisition of Eagle Multimedia has proven to be thus far an effective strategy for fast market penetration. Eagle is already actively developing many new areas such as the selection of foreign language and cultural T.V. footage, the licensing of European programming for sale in the United States, travel video development and production, representation of European television networks in North America, and English-as-a-Second Language videos and accompanying pedagogic guides. Another growth area are business-oriented programs focusing on European economic news, including investment opportunities, to be broadcast on the Business Channel of the U.S. Chamber of Commerce via ESPN, the largest cable channel in North America, reaching 60 million households.

International strategic alliances has been an important tactic in Eagle's business operations. Currently its international partners include Antenne 2 and FR3 in France, Radio Québec in Montreal, Canada, Canal Sur in Spain, Trans Europe Productions (TEO) in Paris, France, Edit Media and Viavideo in Barcelona, Spain, among others. Ω

Los ADR's Como Medio de Captación de Financiación

Este informe argumenta que no sólo las grandes sociedades pueden financiarse en el mercado de capitales norteamericanos.

POR ALFONSO CARCASONA

A pesar de que quizá no sea este el momento mas oportuno para la emisión de nuevos instrumentos financieros en los mercados de valores mundiales, no hay que perder de vista el hecho de que la internacionalización de los mismos abre nuevas posibilidades a la capacidad de captar capital en foros extranjeros. Particularmente esto es cierto en los Estados Unidos, donde la nueva regulación implementada facilita la negociación de los American Depository Receipts o "ADR's" y por lo tanto, su colocación. En cualquier caso, este si es un buen momento para que las sociedades españolas creen su mercado de ADR's. El procedimiento es sencillo, y el coste reducido.

Actualmente existen diversas sociedades españolas que han emitido

American Depository Receipts (ADR's) en los Estados Unidos. Nuestro país es uno de los más interesados en la captación de capital en los EEUU, si atendemos al volumen de dinero y de ADR's emitidos. Sin embargo, no son muchas las sociedades españolas que cotizan en Estados Unidos, en comparación con el número de sociedades de otros países, como el Reino Unido, Japón, Sudáfrica o Australia con menor volumen de ADRs cotizados en los EEUU.

El objeto del presente artículo es dar una visión general acerca del significado de este instrumento financiero, así como presentar los diferentes programas que pueden ser utilizados para captar capital en los mercados norteamericanos.

CERTIFICADOS NEGOCIABLES

Los ADRs son certificados negociables emitidos en los Estados Unidos en forma nominativa, representativos de títulos (normalmente acciones) de una sociedad extranjera. Hay cinco partes que intervienen, o que pueden intervenir, en la emisión de ADRs.

- El emisor de los títulos subyacentes: Sociedad extranjera cuyos títulos van a ser negociados en los EEUU a traves de ADRs.
- El Banco depositario: Banco norteamericano que, una vez que los títulos son depositados en el banco custodio, emite los ADR's representativos de dichos instrumentos financieros.
- El Banco custodio: Banco extranjero encargado de la custodia "fisica" de los títulos.
- El tenedor de los ADRs: Inversor con interés en la sociedad extranjera.
- El asegurador de la colocación de ADRs.

PROGRAMAS DE ADRS

Fundamentalmente existen dos tipos de programas de emisión de ADRs: no patrocinado o patrocinado. El programa no patrocinado se caracteriza por no ser el emisor quien inicia y controla el proceso. El programa es iniciado por un investor americano que considera interesante una sociedad extranjera, en nuestro caso española. Dicho inversor se dirige a su broker para que compre los títulos a un broker español. A su vez el broker se pone en contacto con un banco depositario para que emita los ADRs y actue como creador de mercado del valor.

Este es el programa más sencillo y es considerado por la US Securities and Exchange Commission (en adelante "SEC") como "no provocado" por la sociedad, por lo que normalmente concede la exención de suministro de información requerida a las empresas norteamericanas. La única información requerida por la SEC, en términos generales, es la que la sociedad está obligada a hacer pública en España.

Dados lo pocos requisitos exigidos en este programa, los ADRs solo pueden ser negociados en el mercado over-the-counter (OTC), no teniendo acceso, en principio, a los restantes mercados de valores ni a la posibilidad de realizar ampliaciones de capital.

> No son muchas las sociedades españolas que cotizan en Estados Unidos en comparación con las de otros paises

Los Programas patrocinados son un tipo de programas iniciados por el emisor, que es quien controla la emisión de los ADRs. En función de los objetivos perseguidos se ofrecen tres niveles en los que se puede implementar el programa.

TRES NIVELES PARA IMPLEMENTACION

El primer nivel permite al emisor solicitar la exención de registro de información que se requiere a las sociedades norteamericanas, lo cual le va a suponer, entre otras cosas, un importante ahorro de tiempo y dinero. A la vez de conseguir la exención, permite al emisor negociar con un único banco depositario, con el que firmara un contrato de depósito regulador de los derechos y obligaciones de cada una de las partes.

Como desventaja del programa en el nivel 1 se ha de señalar que los ADRs emitidos no son admitidos a cotización en ninguno de los mercados oficiales, pudiendose solo negociar en el mercado OTC, sin embargo, la implementación del programa en este nivel permite la colocación privada de los ADRs con ello la posibilidad de captar capital a través de ella, así como simplificar su posterior admisión a cotización.

Para acceder al segundo nivel, la SEC exige que el emisor cumpla con todos los requisitos de información anual exigidos a las compañías norteamericanas, incluyendo información financiera de acuerdo con los principios de contabilidad estadounidenses, lo cual requiere un nuevo tratamiento de los estados financieros de la sociedad. El contrato de depósito que se forma con el banco incluye normalmente la responsabilidad de este en cuanto a la información de los inversores, respondiendo a sus preguntas, y enviando informes de la sociedad a los tenedores de ADRs, de los que mantendrá un registro.

Este programa permite que los ADRs de la sociedad sean admitidos a cotización en alguna de las bolsas oficiales de valores estadounidenses, principalmente en la New York Stock Exchange (NYSE), la American Stock Exchange (AMEX) o el National Association of Securities Dealers Automated Quotation (NASDAQ). Como desventaja, el establecimento de este tipo de programa no permite ampliar el capital social a traves de los ADRs. Sin embargo, actualmente puede ser de gran eficacia para sociedades a que deseen crear un mercado en los EEUU. Este programa permite registrar los ADRs representativos de títulos existentes, para en un momento posterior implementar un programa en su nivel 3, y acceder con el a la financiación internacional de la sociedad.

El tercer nivel es similar al anterior, con la diferencia de permitir captar nuevo capital en los EEUU. Para ello se necesita preparar un folleto de emisión que recoge más información de la requerida en los niveles anteriores.

La conclusión que se extrae de este expuesto es que no solo las grandes sociedades pueden financiarse en el mercado de capitales norteamericano. Los diferentes programas de emisión de ADRs permiten a cualquier tipo de emisor introducirse en los mercados de capitales internacionales. Globalización es el término de moda, y los ADRs son un buen instrumento para iniciar la expansión de cualquier sociedad. Ω

ALFONSO CARCASONA *trabaja actualmente como "foreign intern" en el despacho Skadden, Arps, Slate Meagher & Flom; un gabinete de abogados cuya sede está en Nueva York.*

Textiles Catalanes en Nueva York

Durante la tercera semana del mes de Septiembre, y tras visitar Los Angeles y Toronto, 6 empresas de telas e hilados, miembros del Gremio de Fabricantes Textiles de Sabadell, participaron en la Misión Comercial coordinada por la Oficina Comercial de España en Nueva York. Los participantes fueron el Sr. Serna por Mafinsa (Grupo Uralita), el Sr. Gómez por Juanico Hnos. S.A., el Sr. Feiner por Antonio Feiner S.A., el Sr. Garrofe por Roialtex S.A., y los Sres. Casas y Saus por Setex y Estiltex.

Estos fabricantes españoles se encontraron con un mercado algo aletargado y con un nivel de competencia feroz entre los productores nacionales, las exportaciones del Sudeste Asiático y las de Francia, Italia y Reino Unido. Asimismo constataron que los diseños, estampados, mezclas y calidades que demanda el mercado norteamericano difieren de lo demandado en Europa: la confección en Estados Unidos prefiere telas de estampados más clásicos y tradicionales, apostando además cada vez más por telas de algodón en lugar de lana.

El resultado de esta Misión Comercial fue esperanzador: varias empresas volvieron a España con pedidos bajo el brazo, y otras con pre-contratos con posibles distribuidores de sus productos en la Costa Este. Pero esto solo fué posible gracias al acierto de estos fabricantes a la hora de escoger el segmento del mercado a atacar con una relación Pta-$USA tan perjudicial para el precio de nuestras exportaciones, y frente a la imbatibilidad en precios de las telas del Sudeste Asiático, los fabricantes españoles descartaron el segmento de calidad baja y media-baja y apostaron por competir en el segmento de calidad media-alta y alta, ofreciendo telas de diseño y estampados de gran calidad.

Asi pues, se demuestra de nuevo que esta claro en la mente del fabricante textil español que frente a un mercado nacional estancado y con creciente presencia de importaciones, su futuro pasa a su vez por abrir nuevos mercados para sus productos por todo el mundo, tarea nada fácil y para la cual quizas llevemos demasiado retraso frente a italianos, franceses y asiáticos. Ω

ADRIAN FORASTIER *Oficina Comercial de España en Nueva York.*

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Import Boom Revs Retailing

While most retail outlets continue to be small and independent, their share of total retail sales is decreasing as big chains begin to dominate the industry

BY FLEMING CONSULTANTS

Of all the changes in Spain over the last 15 years, the most important, from a retailing point of view, has been the emergence of a consumer society in which the vast majority of people have lost the frugal spending habits of their parents who witnessed the ravages of the Civil War. Most Spaniards are now as much in debt as other Europeans, as they strive to enjoy, today, the pleasures of a modern consumer society, while deferring payments to "mañana." Reflecting this tendency, private consumption in Spain grew by a record 5.5% in 1989, the fastest growth rate in the European Community (EC) and way above the European average of 2.7%.

This consumer spending boom is having a two fold effect on retailing. Firstly, there is fierce battle taking place at the store level as a multitude of domestic and foreign producers fight for market share. Before 1986, between 15% and 20% of products on sale in Spain were imported. After only three years of EC membership, the percentage of imported products has risen to between 35% and 40%. Secondly, retailers are experiencing increasing competition as foreign retail companies are attracted to this new and booming market, one of the least restrictive in Europe in terms of retailing and consumer regulations, and which offers, in many cases, the prospects of higher margins.

A second phase of the retailing revolution has already started with the shakeout of products, both domestic and foreign, due to inadequate representation and distribution, poor marketing and host of other factors. One is also seeing a shakeout among retailers as many small, family owned, traditional shopkeepers close down because of lack of resources and poor management. The successful stores are those which have adapted to changing tastes and discovered new niche markets in this fast developing and highly competitive sector.

Too Many Small Outlets

While the vast majority of retail outlets (over 90%) continue to be small in size and independent, ie., unconnected with buying groups or franchises, they account for a steadily decreasing share of total retail sales. A good example of this phenomena is in the grocery sector where more reliable and complete information is available.

In 1989, of the 115,000 grocery outlets in this sector, one-fifth were self service and four-fifths were traditional corner grocery stores. Traditional stores now account for only 29% of total sales in 1989, down from 50% in 1982. Whereas, the 20,000 self-service outlets of all sizes increased their share of the market to 71% of total sales.

While large outlets dominate retailing in the Madrid region, the Barcelona area, on the other hand, has fewer large outlets (only four department stores), and there, traditional shops play a key role in food and non-food retailing. A recent government sponsored survey on consumer shopping preferences shows that while the modern forms of retailing are gaining ground, traditional retail outlets are still the preferred choice by the vast majority of the Spanish consumers.

The Major Spanish Retailers

The number one retailer in Spain is El Corte Ingles. A privately owned Spanish company, it has no near rival. Its importance in the sector can be judged from the fact that it alone accounts for almost one-tenth of the estimated turnover of the entire distributive sector and over one-third of the turnover of the ten leading retailers in Spain.

El Corte Ingles, which had a turnover in 1989 of $7 billion, is not just the number one retailer, it is Spain's third largest company, making it the largest privately-owned company in Spain, the second biggest advertiser and the largest clothing retailer. It also wholly owns a clothing company, Induyco, and a furniture company, Mostoles Industrial, both of which are the largest companies in Spain in their respective sector, plus a distributor of electronic products, Investronica, the largest Spanish-owned company in this sector. The doubling in size of the groups' warehouse (already the largest in Europe) will make it the largest automated warehouse in the world (bigger than Sears' warehouse).

In 1989, the turnover of the El Corte Ingles stores was equivalent to $175 for every man, woman and child in Spain. Over 2 million regular customers have an El Corte Ingles credit card and 30% of all sales are paid for with one of the many credit cards accepted. For big ticket items, such as furniture and furs, the store offers credit facilities, usually no deposit, 12 or 24 months to pay. And the store has a no-quibble, money back guarantee policy on returned goods.

Three French companies dominate the hypermarket sector. They are Carrefour, Premodes and Samu-Auchun. But Hipercor, the El Corte Ingles hypermarket chain, is quickly catching up on the French. Hipercor was slow to take on the French hypermarket invasion in its back yard. After careful planning, Hipercor opened its first hypermarket and at the same time set up supermarkets in many of its department stores. While it was the last of the majors to enter the field, it is the fastest growing company in the sector.

Since the opening of the first hypermarket in 1973, this sector has been the motor of distribution in Spain, growth has been spectacular. Ten years ago, 18 hypermarkets accounted for 6% of grocery sales. Five years later, the number of outlets had risen to 58 capturing 12% of grocery sales. In 1988, 107 outlets took in 17% of sales. Since 1985 there has been an average of 10 new hypermarket openings each year. There are now signs that this hectic pace is slowing, due mostly to the increasing scarcity of adequate sites and tougher planning regulations.

In department stores, Galerias Preciados, a distant runner-up to El Corte Ingles, is owned by the British Mountleigh Group which has staged a remarkable turnaround for a company that accumulated huge losses and which has had six owners in ten years, including the Spanish state. This reversal of fortunes was thanks to clever financial engineering and shrewd management.

Top Ten Spanish Retailers 1988

Company	Activity	Turnover (Million Pesetas)
El Corte Ingles	Department Stores	475,282
Pryca	Hypermarket	212,500
Continente	Hypermarket	147,033
Alcampo	Hypermarket	121,500
Galerias	Department Stores	92,000
Mercadona	Supermarket	81,500
Simago	Variety Stores	51,099
Hipercor	Hypermarket	50,985
Eroski	Supermarket	47,200
Dia	Supermarket	39,784
TOTAL		1,318,883

Franchising Sales by Sector 1988

Sector	Percent of Total
Personal Products	41
Food	17
Specialized Products	10
Hotel, Restaurants	10
Household Equipment	8
General Services	8
Personal Services	6
TOTAL	100

Source: FLEMING CONSULTANTS

Supermarkets are, by and large, regionally based and owned by a new breed of professional Spanish entrepreneurs. Mercadona, for example, was a small and not very successful supermarket chain in Valencia at the beginning of the eighties. It is now the largest, fastest growing and most successful chain in Spain.

With few exceptions, practically all retail companies reported increased profits in 1989. El Corte Ingles earned a profit before tax of 4% on sales and the hypermarkets are reckoned to earn on average 2% on sales. These returns are half those of French retailing companies which explains, in part, the strong French presence in the sector in Spain. It may also help to explain the relative absence, with one or two exceptions, of British and German companies.

> French companies are suceeding in Spanish retaling where US companies could not

French companies are succeeding in Spain where US companies could not. Sears and Woolworths both pulled out of Spain in the early eighties after years of mounting losses. Part of the reason was the recession. But most of the blame must go to the US companies lack of appreciation of Spanish tastes. The reason for the French success in hypermarkets, and more recently in commercial centers is due to three factors: (a) the existence of a large potential market next door, (b) the recent rapid rise in Spanish living standards and, most importantly, (c) the similarity in buying motivation and habits.

Franchising Boom

This is another area which is growing quickly. Sales generated by the 200 franchise names selling through 15,000 retail outlets are estimated to be $3 billion or 2% of retail sales. In France, by comparison, the sales generated by franchising outlets are equivalent to over 10% of retail sales.

Major internationally known names like Benetton, Tintoretto, Rodier, not to mention McDonalds and Wendys, plus a growing host of successful Spanish franchise names, such as Don Algodon, Amarras, Camper, etc. are changing the face of the high streets of Spanish cities and towns. The proportion of sales of personal products—clothing, footwear and cosmetics—has fallen to 41%, as franchises for services—the growth area—rises. Apart from fast food outlets, foreign companies have spotted a weakness in Spain—personal and business services—where franchising offers tremendous opportunities for growth.

Spain,however, does have certain characteristics that make physical distribution both difficult and costly. With 500,00 square kilometers, Spain is the second largest country in Europe after France, and the most mountainous after Switzerland. The poor rail system means that practically all surface transport travels by road, and the road network is severely inadequate. Spain's population of 39 million is concentrated in a few major cities, such as Madrid and Barcelona (both with a population of over 3 million) and Valencia, Seville, Malaga, Bilbao (1 million).

For these reasons most producers, but especially the majors, have large and costly physical distribution organizations of their own. This is particularly true of processed food producers where a high delivery frequency, direct to retail outlets, plays an important role. But there are few examples of 100% in-house distribution setups, as even the majors use distributors and traditional wholesalers to deliver to distant, low density areas.

Until the mid-eighties, Spain had a system of import licenses for most products. Each year a quota was established for the import of each product category. The distribution of these import licenses was very arbitrary, most going to a few large import/distribution companies. In an effort to spread out the very limited availability of imported products during the seventies, the administration started to distribute the import licenses to retailers. In this way, many retailers became importers, a situation which continues to the present day. Some developed successful agency businesses. Others branched out into wholesaling and distribution, but mostly on a local scale.

Many of these small professional import/distribution companies emerged in response to the enormous flood of imports starting in 1986. The most obvious case of a retailer becoming a major importer is the department store chain, El Corte Ingles.

Foreign Interest Increases

The most significant development in retailing in the past three years has been the surge of foreign interest in Spain. The French have consolidated their position in hypermarkets and have developed some of the most successful commercial centers. British retailers who were slow to see the potential in the Spanish market for their retail expertise have just started to take positions.

The most striking example of this is Marks & Spencer's joint venture with Cortefiel, a major clothing retail chain. This is the first time Marks & Spencer has entered into a joint venture as part of their few investments outside the UK. The venture can be considered as an ideal platform for the future expansion of M&S in southern Europe.

The majority of foreign investments in retailing have been joint ventures with Spanish outfits, and for good reason. Retailing is not easily transferred across national boundaries as consumer tastes, local customs and buying habits vary. And, in mass retailing, local knowledge and contacts are essential to pick and buy key sites and to find and deal with suppliers. One can expect to see a lot more of this type of transnational cooperation.

There are still many market niches waiting to be developed in Spain. As an example, book stores, photographic shops, stationery stores, hardware outlets and furniture stores are all hopelessly old fashioned, poorly stocked and give poor service, if at all. Ikea, the large Swedish furniture manufacturer and retailer is currently looking at Spain and Asko, the German retailing giant is planning to set up a 60,000 square meter store in Madrid with four departments: furniture, clothing, do-it yourself and food.Ω

FLEMING CONSULTANTS, S.A. *is a Madrid-based marketing research and consulting firm. Readers are encouraged to contact Fleming Consultants for further marketing information on other sectors in Spain: San Telmo, 37, 28016 Madrid. Telephone: (341) 458-0110, Fax: (341) 250-9416.*

Forecast: Sustainable Growth and Low Inflation

Investors should focus on those sectors in Spain that were sharply hit by recent drops in the stock markets

PRESCOTT, BALL & TURBEN

With a Gross Domestic Product (GDP) of $447 billion in 1989, Spain ranks fifth in the European Economic Community (EC). Its two most important economic achievements recently have been a rapid growth rate and inflation control. After peaking at 24.5% in 1977, inflation has gradually declined to the current 7%.

Spain's economy has grown steadily since 1983, with GDP increases much above the EC average—GDP's real growth was 3.3% in 1986, 5.5% in 1987, 5.2% in 1988 and 5% in 1989. Such growth rates, fueled by strong internal demand, have lowered the external imbalance, which this year will account for 3.7% of GDP in terms of current account deficit.

A very restrictive monetary policy aimed at cooling the economy was showing the first results when the Iraqi crisis broke out. Spain's recently announced budget, with its tighter economic policy, is now likely to result in lower GDP growth (3.5% in 1990 and 2.9% in 1991) and the maintenance of high interest and exchange rates. Inflation (around 7% for 1990) has been budgeted at an unrealistic 5% for 1991. It could again reach 7%, while higher oil prices and reduced revenue from tourism will increase the current account deficit (to 3.9% of GDP).

The Madrid Stock Exchange's (MSE) market capitalization has grown dramatically over the last few years, from $15 billion in 1983 to $119 billion in 1989. However, the MSE is still relatively small by international standards. It has about one-eighth the market capitalization of the U.K. and much less than the U.S or Japan.

Numerically, the Spanish market is dominated by medium-sized companies. In fact, only about 60 out of the top 300 Spanish industrial companies are listed, and less than 40% of the 100 largest companies' turnover is currently represented. As a result, the banking sector has an overwhelming weight of 30.9% on the Madrid Exchange, whereas the hotel and leisure sector, which is of extreme importance in Spain's economy and accounts for 10% of world revenues from tourism, is not represented at all.

The excellent performance of the Spanish market from 1984 to 1989 was coupled by a very healthy increase in trading volume ($38.3 million in 1989), but Spain still is considered a fairly illiquid market. However, that volume is concentrated in a limited number of stocks that compare favorable with international standards in terms of liquidity.

> **The United Kingdom accounts for half of total foreign transactions in Spain**

Transactions by overseas investors as a percentage of total volume traded have increased from 5% in 1983 to 20.5% in 1989. The U.K. accounts for half of total foreign transactions. Japanese and U.S. investors still remain underexposed to the Spanish market.

Throughout the winter of 1990, the MSE has had a price-to-cash-flow ratio of 5.7 and gross dividend yield of 4.7%. These figures take several phenomena into account. They reflect the fact that Spanish companies probably have better profit prospects than do other European countries and most of the OECD countries. Also, many Spanish companies do not fully consolidate their subsidiaries' profits. Finally, Spanish accounting standards report profits very conservatively, allowing companies to provide for very high depreciation charges, many risk concepts and future liabilities.

The Madrid Stock Exchange has fallen by 19.3% since the beginning of the Gulf crisis (20.6% accumulated in 1990). It has been one of the hardest-hit markets in Europe, and remains very sensitive to oil price and Wall Street fluctuations. However, long-term investors should have a look at Spain. The international environment does not encourage investing in stock markets; warning bells of recession in several countries are being sounded and the Iraqi crisis has shaken business confidence.

Spanish economic growth can be sustained and U.S. dollar exposure is low despite external imbalance and inflation pressures. Spain has the extra attraction of being undervalued in terms of price-to-earning and price-to-cash-flow ratios, a fact likely to tempt corporate activity. Caution and selectivity are necessary, however.

Investors should focus on those sectors that were sharply hit by recent drops and show attractive multiples and good fundamentals, as they will by less affected by a higher oil price and its consequences. Conservative sectors are best, although not those which are highly geared to changes in the pace of economic growth, or linked to energy inputs or U.S. dollar-denominated exports. Our picks are healthy companies with sound financial structures, attractive dividend yields and liquidity in the electrical utilities, banking and construction industries . Ω

PRESCOTT, BALL & TURBEN, *is a division of Kemper Securities. For further information on investment trends in Spain, contact Elena Fernandez-Trapiella in New York City at tel: (212) 938-7208*

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Spain Today: The Emerging Platform For Business with Europe

This Seminar report highlights the current financial, management and legal trends in Spain that reflect its dynamic and vigorous pursuit of the promise of 1992

BY JANE BLANSFIELD

If 1992 isn't designated by the United Nations as "The year of Spain," it should be: in those 365 days, the country will play host to the Summer Olympics and the World's Fair, celebrate the 500th anniversary of the discovery of America and bask in the honorary designation of Madrid as Capital of Europe. But the most pivotal event planned for 1992 is the launching of a newly integrated European market, and as the seminar organized by the Spain-USA Chamber of Commerce in association with the Goldhirsh Group sought to demonstrate, Spain's position as an ideal springboard for access to that market assures it a key role in Europe's economic future.

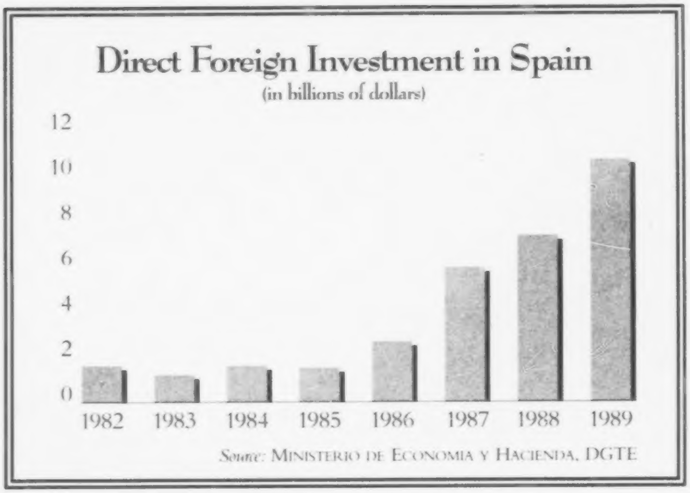
Titled "Spain Today: The Emerging Platform for Business with Europe," the seminar was held on September 24th in New York and was attended by over 120 high-level executives of large and mid-size U.S. companies interested in establishing business links in Spain with an eye toward European market penetration. Participants heard presentations from some of the leading company's experts on legal, governmental, financial and technological aspects of foreign investment. At lunch they were joined by senior managers for a keynote speech by Robert Neimeth, president of Pfizer International, who gave a first-hand account of his company's successful association with Spain.

Prior to the morning session, Frank Bacchus, President of Integrated Management Enterprises, a computer systems and human resources consultancy, said that although he had already been introduced to Spain through one of the U.S. Chamber of Commerce's "Matchmaker" programs that went to Madrid and Barcelona in May 1990 and was currently negotiating a deal with a software distributor, he was eager to learn more. "I see tremendous potential for doing business in Spain and have found the Spaniards to be really enthused," he said.

Guy Russo, Executive Vice President of Nippon Industries, was similarly upbeat. "The Spanish are ideologically consistent in their goals for expansion and are trustworthy trade partners, creditable people to do business with. They're not afraid to take a shot," he said. Though his company is already selling its products in the country—its swimming pool chemicals have done extremely well—Mr. Russo said they were now looking to locate there, thanks in part to the tourism sector's providing an ample market.

The seminar began with a brief welcome from Ricardo Jové, president of the Spain-USA Chamber of Commerce, in which he stressed the objectivity of the views to be pre-

> Spain has the fifth largest economy in Europe and its political stability is attracting large amounts of capital, giving it the highest growth rates in the EC



Direct Foreign Investment in Spain
(in billions of dollars)

Source: MINISTERIO DE ECONOMIA Y HACIENDA, DGTE

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sented throughout the program. Then, in the opening address, Mr. Apolonio Ruiz-Ligero, Spain's Secretary of State for Commerce, forecasted a favorable climate and a positive evolution for investment in Spain. Although a shift in interest to Eastern Europe has affected portfolio investment, he said, he doubted change would be rapid in those economies and characterized forays there as "long-term commitments with dubious returns." And though its dependence on oil imports—representing 54% of its energy needs—could mean real income decreases if the Gulf situation deteriorates further, Spain's stable labor conditions, modern infrastructure and increased internationalization still make it one of the surest and safest bets in Europe.

Spain's Industrial Policy for the 1990's

Carlos Estevez Ruiz de Castaneda, President of the state-owned Empresa Nacional de Innovación (ENISA), moved the seminar into the nitty-gritty with his introduction to Spanish industrial policy and the incentives it provides to investors. He claimed that invesing in Spain is the same as investing in Europe, saying that in 1993 the accessible market would be comprised of 40 million Spaniards plus 350 million Europeans. Spain has the fifth largest economy in Europe and its political stability is attraction large amounts of capital, giving it the highest growth rates in the European Community (EC). Nevertheless, American investment in Spain is still relatively small, representing only 5% of total foreign investment.

According to Mr. Estevez, Spain is dedicated to quality, fomenting high technology, meeting deadlines and providing top service. Government subsidies and soft credits are extended to help meet quality levels. The country is spending 100% more on R&D than in 1985 and new technologies are being deployed in the transportation sector, with a notable example being the new high-speed trains scheduled to come into service in time for the Seville World's Fair. The government is particularly interested in joint development ventures, Mr. Estevez said, and offers subsidies of up to 50% for particular depressed zones.

ENISA: Partnership and Guidance in Investment

Juan Ramón Durán, of ENISA, had as object of his talk the instrumental role his company can play in helping foreign industrial investors establish themselves in Spain. Representing the national government in collaboration with regional agencies, ENISA is capable of providing foreign investors with services ranging from site selection to the smooth handling of administrative concerns, small details which for foreigners can often prove major sticking points.

The development of Spain's industrial sector is high on ENISA's list, Mr. Durán said, and it has singled out as high-need such sectors as biotechnology and electronics. With new projects studies; in traditional manufacturing sectors it works to strengthen design and quality; major development projects it matches suppliers with auxiliary industries and consumers; and in depressed region it acts to stimulate development by encouraging the use of regional resources and implementing governmental incentive programs.

On the technological innovation front, ENISA serves as a liaison to the CDTI, which is a major source of technology transfers and new technology development. ENISA concentrates on seeing the manufacturer through the crucial production and commercialization phases of R&D projects, again acting as promoter or co-promoter.

Venture capital project development was the last but apparently not least of ENISA's activities enumerated by Mr. Durán, who said his company "is extremely interested" in pursuing this line of action. "If your company is sound financially and technically, we're interested in you. We take a minority stake; we won't cause you any trouble as stockholders and would hold the stock for three or four years and then sell it back to you. We want to assist, not to control."

McKinsey & Company: Lessons from M&A

Having opened its Madrid office in 1978, the prestigious international management consulting firm of McKinsey & Company has had ample time to develop a clear sense of the myriad advantages awaiting foreign entities interested in Spain. In the opinion of Director Francisco Moreno de Alborán Vierna, "Spain is an attractive place to invest and will continue to be so. It has competitive advantages over other European countries, and many foreign companies have already acted accordingly. Showcase examples include Dupont, General Electric, General Motors, Ford, Nestle, Ericson, Carrefour, Philips and Nekerman. For those who have not, there are still many opportunities for making inroads into the EC "

> "The keys to success include focus on value creation, an active participation in candidate screening; and thorough post-acquisition integration planning"
>
> —McKinsey & Company

* * *

Spaniards are sophisticated consumers but still show good growth potential, leading market experts to project an average 3.7% GDP for the years 1990 to 1994 with and inflation rate of 4.5%. Hourly wages average $6, compared to $10 in France and $13.70 in the U.K. The freeing of prices from state intervention, the relaxation of foreign exchange controls and the modernization of financial markets have combined to stimulate competitiveness, Mr. Moreno said, as shown by 1989's $280 billion stock volume.

For Spain, European Community entry has meant removal of industry tariffs and of quantity restrictions on imports and exports; changes in taxation in accordance with Community regulations and a growing concern for market safeguard procedures. The development of consumer protection groups, the creation of a securities and exchange commission and a requirement that firms submit to external audits are some steps which are being taken in the latter regard.

According to Mr. Moreno, foreign companies that have been successful in Spain, such as Nestle, Ford and GM, had some of the following points in common:

- Some source of advantage (know-how, technology) was established
- A dominant local market position was sought and achieved
- Good local senior management was retained
- A long-term perspective

Mr. Moreno stressed the necessity of a long-term outlook, describing the current market situation as "a tight battlefield."

Continuing with the same theme, Juan M. Hoyos Martinez de Irujo, Principal of McKinsey & Company, said that the small-scale nature of the majority of Spanish companies leaves considerable room for foreign involvement. Only 1% of them have more than 250 employees, and 4% have between 50 and 250 employees, while 19% have between 11 and 50 and 76% (or 200,000) have less than 11. But with EC entry, the country faces a growing homogeneity of demand and needs to achieve economies of scale.

International companies seeking investment avenues have several options, Mr Hoyos said, including creating a niche, a Pan-European company, or a Spanish alliance. Among the successful acquisitions he cited figured UPS's 100% purchase of Cuallado, an Urgent Postage company, and Procter & Gamble's 50% share in Grupo Arbora, a food concern. But of 116 acquisition cases studied, 61% were unsuccessful, while those involving big non-related companies were found to have an 86% failure rate. "The smaller the company acquired, the more similar the business, the better the chances," he said.

Common pitfalls among joint venture as well as merger and acquisition transactions are an overestimation of market potential; inadequate time-tabling throughout the life of the deal; an optimistic evaluation of synergies and mismanagement of the post-deal integration effort. Accordingly, Mr Hoyos concluded that the keys to a successful approach are a focus on value creation, or a clarification of what each player is bringing to the partnership; an active participation in candidate screening; and thorough post-acquisition integration planning "starting from day zero."

Recent Foreign Acquisitions In Spain–1990

Foriegn Company	Nationality	Spanish Company	Industry	%
United Parcel Service	USA	Cualladó	Urgent Postage	100
Procter and Gamble	USA	Grupo Arbora	Consumer Goods	50
Unilever	UK/Neth	Aceites Costablanca	Food	100
Ashley	U.K.	Dismo	Supermarkets	100
Ciments Francais	France	Financiera y Minera	Cement	76
Procordia	Sweden	Damel	Food	100

(Total Acquisitions: 1st half 1990: 78)

Source: McKinsey & Co.

Restructuring Probability in Spain

Percentage of companies in sample

Attractiveness of company as potential acquisition candidate	Stable	Discontinuity	Accelerated restructuring
HIGH	2%	**18%**	**13%**
MEDIUM	7%	6%	**12%**
LOW	17%	13%	12%

Structural Stability of the Industry

Gray areas indicate high restructuring probability

Source: MCKINSEY ANALYSIS

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Banking and Industry

Luis Valero Artola, Vice President of International Relations for the Banco Español de Credito (Banesto), opened this part of the seminar by stating that the presence of 170 banks in Spain makes for a very competitive atmosphere. But the horizons are broadening and the liberalization in Spain's financial systems promises greater involvement of Spanish banks abroad as well as an increased foreign banking presence at home.

Starting with new foreign investment laws and the initial penetration of foreign banks in 1977 and passing through the 1978 Exchange control law, Spain capped off its financial liberation agenda with last year's stock exchange reform. So far the changes have proved highly beneficial for local banks. According to Mr. Artola, banks are providing better services, increasing the sophistication of their financial deals and strengthening their international divisions.

In terms of international business, Spanish banks suffer limitations due to their small size and to the lack of big Spanish companies with multinational presence. Past operations in Europe yielded negligible profitability. But with the promise of 1992 ahead, the sector has developed new strategies based on cooperation agreements, cross-holdings of shares, mergers, and majority stakes or management control. On the service side, Mr. Artola said Spanish banks offer trade finance transactions such as export credit schemes akin to France and Italy's, while merchant banks are prepared to assist with mergers and acquisitions, LBO's, MBO's and mezzanine finance.

In sum, Mr. Valero stressed that Spanish commercial banks are fully capable of providing international banking services to foreign companies established in Spain, adding that the efficiency of these services has already earned them a faithful Spanish clientele.

> "Spanish banks offer trade finance transactions such as export credit schemes, while merchant banks are prepared to assist with M&A, LBO's and mezzanine finance."
>
> —BANESTO

* * *

Banesto Addresses Retail Banking

Ramón Bustamante de la Mora, Banesto's Executive Vice President for retail banking, commented that though banking is one of Spain's most stable sectors, changing operative strategies have earned it a permanent place in the news. The recent mergers of the Banco Bilbao with the Banco de Vizcaya and of the Caja Barcelona with the Caja de Pensiones are the most visible indications of the redefinition now underway.

Direct access to the market has led to closer contact between borrowers and lenders, an important factor in the innovative process. The burgeoning economy and the consequent improvement in people's financial positions have also had a profound impact on the financial sector, Mr. Bustamante said, obliging it to alter its approach to deal with a more sophisticated and better informed client. Changes in monetary policy instituted in 1989 and including an increase in the reserve requirement from 20% to 25% and the withholding of personal income tax on securities shook things up still further.

According to Mr. Bustamante, Banesto follows a two-pronged approach to banking, one of which focuses on banking and financial activities while the other attends to industrial management. The band's commitment to industrial development has historically been strong, and today it values its portfolio participation at over 300 billion pesetas.

Banesto also pays special attention to the financial development of small and medium-sized companies, implementing agreements with autonomous regions for the channeling and management of EC grants. Last year its companies received 22 billion pesetas in loans subsidized by the European Investment Bank. And for the individual client, the bank's "Cuenta Unica" ("Single Account") offers a multitude of services with a high market return. In conclusion, Mr. Bustamante said Banesto "seeks to attend to our client's needs and to continue to support all aspects of society's development."

Fiscal Treatment of Foreign Investment

A practicing Attorney at Law in a Madrid-based firm, Carlos Palao Taboada presented an investor's guide to Spanish taxation. Pointing out the contradiction between Spain's desire to attract foreign investment and the existence of certain tax regulations hindering it, Mr. Palao observed that the liberalization of investment was accompanied by a parallel use of foreign exchange formalities as tax control devices.

The high taxation of capital gains represents another contradiction and is the harshest in the EC, as gains are taxed as ordinary income. Combined with a recent increase in withholding tax from 20% to 25%, this system "places Spain in an unfavorable position in relation to Europe," Mr Palao said. He also deemed inadequate the internal regulation of non-resident taxation, saying its governing provisions lack clarity,its criteria of applicability of Spanish tax law are unrealistic and its regulative differences are unjustified.

As for present trends, Mr. Palao said that revision of the non-residential tax policy is an objective and that a recently drafted Individual Income Tax Act "shows some interesting features, but does not face the problem." Meanwhile, the U.S.-Spain Tax Treaty, passed by the U.S. Senate and the Spanish Senate and following the OECD model, will allow the U.S. to withhold the right to tax its citizens; maintain the right of the host state to tax capital gains; and provide for the granting of underlying tax credits to Spanish parent companies.

Commercial Legislative Reforms

A practicing attorney in Madrid, Antonio Palou-Bretones gave a concise and informative look at the impact of EC membership of Spanish commercial law. He started by citing recent legislation involving adaptation to EC guidelines for the constitution of commercial companies.

Law 19/1989 requires that such companies have a minimum of three founders, state a clear business purpose, have a share capital of at least 10 million pesetas, submit to the appointment of outside auditors, and adhere to a 20% reserve requirement. Law 24/1988 introduced a new stock exchange system governed by a national commission and administrated by joint stock companies and agencies. And a new auditorship law inspired by the VII EC Directive calls for the independence of the auditor, access to his certificate and the duty of companies to accept the report.

Societies that fail to increase their share capital to the minimum stipulated by Law 19/1989 face reclassification from a limited company to one with limited liabilities, which among other things would entail

Questions from The Seminar

The first inquirer wondered whether investment condition were likely to change after 1992. Mr. Ruiz-Ligero responded that while Spain's policies were clear from now through 1992, the EC is now discussing what would happen after January 1993, and Spain is aware that its regional needs would have to be reanalyzed.

Another participant asked about the distinctions made between regions, and Mr. Ruiz-Ligero said subsidies varied according to need and that none were offered in Catalonia, the Baleares, Madrid, La Rioja, Navarra, the Basque region and part of Aragon. Another questioner wanted to know why American investment in Spain was so low. Mr. Ruiz-Ligero felt that American companies didn't know Spain very well and used Germany, which represents 15% of total foreign investment, as a comparison.

To a question regarding whether a gap exists in management thinking between Spain and the U.S., Mr Moreno responded that he didn't see any major differences, and that if any did exist they would likely be sector-related. Mr. Hoyos said that if there were gaps, generational changes in Spain's top management and the presence of new blood were narrowing them. "At Banesto, our 81-year old former chairman was succeeded by the 39-year old Mario Conde, who has a very dynamic, international outlook."

One participant wondered whether there were any negatives in Spain's current situation. Mr Moreno cited the country's high dependence on oil and its naggingly high unemployment rate, as well as labor issues such as those surrounding a painful steel sector restructuring. Mr. Valero mentioned structural limitations such as the inadequate highway system and delays in phone service, while reiterating the impact of trade union activity.

When asked how an interested party would go about setting up agreements, Mr Hoyos said, "Look for it; do it; and, most importantly, run it."

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a ceiling of 50 members, non-negotiable securities and an increase in stock transmission formalities. According to Mr.Palou, a favorable atmosphere exists for carrying out mergers via takeovers or by creating new companies, though they are subject to government approval and the parties are obliged to make their intentions public starting from an early stage.

Since familiarity with US/Spanish/EC legislation is key to successful foreign penetration in the Spanish market, Mr. Palou said that procuring sound fiscal advice and establishing efficient contacts with the Spanish public administration should be top priority for potential investors.

Conclusion by the Commercial Office of Spain

In an apt summation of the day's discussions, Mariano Muela, Trade Commissioner in New York from the Commercial Office of Spain and former head of the government's foreign investment promotion program, said the main reason for the surge in foreign investment is that "companies find it easy to make money in Spain." The considerable size of its market, the dynamism of its economy and its efficient legal and administrative framework add up to a strong argument in its favor. With a GNP that is two points higher than the OECD average and projected to remain so over the next two tears, Spain also enjoys a comparative advantage over its EC neighbors. Partly because its investments are outpacing savings, Spain is avidly seeking funds from abroad, and so far, the response has been commensurate: 1989 direct foreign investment was $11 million.

At the close of the proceedings, the seminar participants exchanged impressions over glasses of Spanish cava, and the tremendous enthusiasm which had been apparent at every stage of the day was still evident. Julius Olita, senior vice president of Pacer Systems, said his company had tried unsuccessfully to sell a special ship stability system to the Spanish Navy, and that he now felt prepared for a new round of negotiations. "In our initial contacts we had the right product but the wrong approach," he said. "Now I have a much better idea of how the market operates." And as Marylinda·Ramos of Band America International put it, "I learned as much today as I might have in a week's trip to Spain." Ω

JANE BLANSFIELD *is a freelance journalist based in New York who was previously a Madrid correspondent for BusinessWeek and London's Financial Times.*

At a Glance: Regional Incentives

INCENTIVES ARE SUBSIDIES

Regional incentives are loss fund subsidies calculated on the investment approved by the Spanish government and can also take the form of tax or Social security credits, tax exemptions and interest credits. Items eligible for incentives are new or first-use assets including land which is necessary for the performance of the project. Investments in planning, engineering and management of the project that are related to these new fixed assets are also eligible.

ACTIVITIES THAT CAN RECEIVE INCENTIVES

Observing at all times the Community rules, especially sensitive sectors such as iron and steel industry, ship building, textiles and synthetic fibers and the food and fish processing industries, the following can be subsidized:

a. Extractive and processing industries, particularly those involving advanced technology
b. Food processing and aquaculture industries
c. Industrial support services, especially those that improve commercial structures
d. Specific tourist facilities that impact on development in the area

TYPES OF PROJECTS THAT CAN BE PROMOTED

a. New business establishments that generate new jobs
b. Expansion projects that create new jobs
c. Transfer projects with new investments in fixed assets
d. Modernization projects that substantially increase productivity and acquire technologically advanced material

CONDITIONS FOR INVESTMENT PROJECTS

a. Location of the investment in any of the designated promotion areas
b. Investment in fixed assets of a minimum of 15 million pesetas
c. Self-financing of a minimum of 30% of investment amount
d. Creation of jobs or preservation of jobs in cases involving modernization
e. Non-commencement of the project prior to the application for benefits
f. Project must be judged viable technically, economically and financially

AID DISBURSEMENT

Aid is disbursed and allocated through the federal government's Commercial Registry's Managing Office in the appropriate autonomous region. Once the application for regional incentives is accepted by the Managing Office, the investor may proceed with the investment.

The interested investor will have 15 business days from the formal notification of the individual decision to expressly accept the award of the subsidy in all of its terms and conditions. If the company is in the process of being created, a period of four months, which can be extended four more months, will be conceded.

In the period of one year from the Managing Office's decision, the company must have completed 25% of approved investment or part thereof agreed upon by the Managing office. After the lapse of the mentioned time period without performance of obligations, the investor will forfeit its rights and lose the subsidy.

For further information, contact ENISA in Madrid at (341) 308-6044 or the Ministerio de Economia y Hacienda in Madrid at (341) 571-4412.

Source: ENISA

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An Economic Overview of Spain

Spain's Secretary of State for Commerce, Mr. Apolonio Ruiz-Ligero, outlines the Spanish government's current aggressive liberalization policies, particularly regarding foreign investment, and forecasts a favorable economic outlook

Since the beginning of the 1960's, Spain has experienced a progressive process of external liberalization and integration into the world economy. Accession to the European Economic Community (EC) has accentuated this process. Although the last few months of 1990 have seen higher inflation than expected and the current deficit has increased, Spain's current economic policies are in place to cushion this recent economic downturn in Spain, while providing macroeconomic stability and assuring Spain's new status among the major industrialized nations.

From Adjustment to Rapid Growth

After a costly but inevitable adjustment program from mid-1983 to mid-1985, the Spanish economy entered a period of expansion. Economic growth has surpassed 5% over the past three years and brought about greater confidence among the foreign investment community. Net job losses from 1981 to 1984 have given way to net job creation and greater flexibility unparalleled even in the expansionist period of the 1960's. Finally, rigid anti-inflationist policies have succeeded in bringing prices down since 1986 to its current range of 6.5% to 6.9%.

Two other important economic indicators that characterize Spain's economic outlook are the current account balance and net foreign capital inflows. An increased trade deficit resulted from the growing gap between imports and exports where the rate of increase experienced by imports greatly outpaced that of exports, which have shown steady growth and profited from increasing investment flows into the exporting industries. The current account deficit has been, in large part, financed by direct foreign investment and other capital inflows. Testimony to this trend was a 38% increase in direct foreign investment during the first two quarters of 1990 compared with the same period for 1989.

Financial Liberalization is the Rule

The Spanish legislation on capital movements has been substantially modified in recent years. There has been a progressive liberalization of transactions between residents and non-residents as Spain's entrance into the EC in January 1986 contributed decisively to this evolution. This process has been further stimulated by Europe's Project 1992 which will eventually require the national promulgation of over 250 directives that seek to harmonize fiscal laws, product safety and manufacturing standards, labor laws and provide for the absolute free movement of EC citizens within the borders of the Common Market. Although EC regulations on capital movements have become directly applicable to Spain, the authorities negotiated transition periods lasting in some cases to 1995.

> **After half a decade of transition, strong internal demand and consistent foreign investment continues to drive Spain's robust economy**
>
> * * *

The Spanish government affirms that our legislation concerning foreign investment is even more liberal than the ones applied in other countries. Most significantly, Spain's exchange control liberalization has been implemented swiftly and shown impartial treatment among

EC and non-EC members alike.

Liberalization in the foreign investment entitles foreign investors to remit abroad, without any quantitative limitation, the funds invested, the capital gains obtained and the dividends and profits legally distributed. The only requirements for such remittance are that appropriate taxes have been paid and procedural formalities have been made.

Exceptions to the "rule" include investments in gambling, activities related to national defense, television, radio and air transport which subject to authorization by the Council of Ministers. Also, financial loans from abroad have been under certain restrictions since January 1989 due to temporary monetary policy measures.

> **The Spanish government affirms that the legislation concerning foreign investment is even more liberal than the ones applied in other countries**

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US Investment is Encouraged

The composition of foreign direct investment in Spain shows that the United States ranks sixth after Holland, Germany, France, the United Kingdom and Switzerland respectively. This underscores the importance of U.S. investments however, because large U.S. corporations invest in Spain through other European affiliate companies Recent successful examples have been Dupont's investment in the northern costal region of Asturias, General Electric's plastics division investment to build a factory in the southeast region of Murcia and General Motors investment to augment its manufacturing capacity in the southern region of Andalucia.

The ratification of the U.S.-Spain Double Taxation Treaty, due to take effect by early 1991, will provide a further boon to U.S. business in Spain. (see "Tax Treaty" in THE BUSINESS LINK Fall 1990) According to U.S. specialists, there is a clear pickup in the number of American corporations trying to secure a strategic presence in Europe. This investment surge has by no means been exclusively dominated by major U.S. multinational corporations, but also consisted of many investment arrangements among U.S. middle-market companies who have sought to operate in Spain through licensing agreements, agent or distributorship contracts or other types of strategic joint venture transactions. There is no better time than now to move into Europe. The progressive internationalization of the Spanish economy, together with the modernized stock markets and the increasing sophistication of the financial markets make Spain a very attractive country to invest in. Ω

At a Glance: Tax Incentives

U.S. corporations that sell goods outside the United States are subject to taxation both in the U.S. and, in some cases, in other jurisdictions into which it is selling its goods. The corporation can reduce the total effective tax rate on its export income by:

1. Utilizing special U.S. tax incentives for export activities
2. Avoiding establishment in high tax jurisdictions
3. Effectively utilizing its foreign tax credit
4. Deferring U.S. tax on foreign source income by conducting certain activities through a foreign subsidiary

FOREIGN TAX CREDIT POSITION OF U.S. GROUP

1. If a U.S. parent has excess credits, reducing European taxes gives a "bottom line" benefit by creating low-taxed foreign source general limitation income.

2. If a U.S. parent has excess limitation, reducing European taxes gives cash flow benefit if deferral is achieved and gives "bottom line" financial statement benefit if the U.S. parent represents that low-taxed income will not be repatriated to the U.S.

EFFECT ON CUSTOM DUTIES

Where the U.S. firm sells to a related party which resells and distributes its profits up to the U.S. parent, the customs authorities in the EC country may consider such dividend as part of the value of imported goods. This treatment can be avoided if the EC subsidiary can provide that the dividend is not related to the imported goods and the transfer-price of the imported goods have not been influenced by the relationship between buyer and seller.

IDEAL TAX STRUCTURE

The ideal structure is to locate all of a group's sales activities in a low tax jurisdiction (e.g. Switzerland) and sell into nearby high tax jurisdictions (e.g. Germany) using independent agents or modern communication means.

The distribution function would incur a low foreign income tax liability and there would be generally no exposure to tax in the high tax jurisdiction because the selling entity would not have a permanent establishment. The income would probably be tainted income subject to current U.S. income tax, however, if the U.S. corporation is an excess credit situation, this low-taxed general limitation income might be realized on a tax free basis. However, marketing may not be effective and using an independent sales agent results in a portion of the sales profit being transferred to an independent party.

Prepared by: ERNST & YOUNG'S EAST REGION INTERNATIONAL TAX GROUP IN BOSTON, MA.

Consolidation and Modernization Pave the Way for Spanish Banking In the 1990's

Spain's Banco Español de Credito has responded to the international dynamic banking environment by organizing its management and its operations along both industrial and non-industrial activities

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Over the past five years, the banking industry in Spain has undergone a period of intense deregulation that, while causing a minor shakeout among second tier savings and commercial banks, has confirmed the competitive position of Spain's largest banks in a global context. At the forefront of the industry, Banco Español de Credito (commonly referred to as Banesto) is emerging as a global player by aiming to cater to the international middle market as well as large institutional trade and investment needs, while serving Spain's young and growing retail population in the tradition of the universal model of banking.

The new financial landscape in Spain has been the direct result of two interrelated phenomena. First, the rapid pace of technological change in global financial markets, spurred by the momentum of Europe's Project 1992, has necessitated the streamlining of the Spanish banks' operations in all service areas. Second, the continued successful efforts of Spanish monetary authorities to ease restrictions on institutional borrowing, foreign exchange controls and foreign direct and portfolio investment flows have made increased efficiency a strategic imperative among the banks.

In the first half of 1989, the banks followed a policy aimed at maintaining their financial margins which were threatened by the increased competition that followed liberalization. With higher costs of interbanking resources and cash reserve increases further aggravating the situation, banks sought to offset the skinnier margins by increasing both their rate of consumer deposits and their commission fees and prices for banking services.

A Strong Industrial Participation

In many ways, Spain's Banco Español de Credito has best responded to the international dynamic banking environment by organizing and focusing its operations and management along two complementary lines of business-a source of credit and finance for foreign-owned and domestic industrial companies in Spain, and everything else. The distribution of the bank's office locations reflects this structure with 50.5% of the branches in industry-related activities, 27.1% in commerce and services, 13.3% in food and agriculture and 9.1% in other activities. Indeed, one of the bank's greatest assets is its extensive domestic and international network which is concentrated in southern Europe.

On the industrial side and not unlike the banking institutions in Belgium and Germany, Banesto's structure also reflects its aim to cater to the specific restructuring and credit needs of the primary industrial conglomerates in Spain including mining, metals and chemical concerns to name a few. The integration of banking and industrial activities under one roof has been pioneered in Spain by Banesto through its recent formation of Corporación Banesto. This "holding company," which since November 1990 has been quoted on the Madrid Stock Exchange, currently surpasses 300 billion pesetas in market value and serves as the bank's international joint venture arm. For example, in 1990, Banesto financed Acerinox's $350 million partnership investment with Armco USA to build a modern steel plant in the U.S.

> In response to growing international concern about the environment and pollution, Banesto has carried on its tradition of social commitment by creating the "Banco del Medio Ambiente" or Green Bank

* * *

The bank's second line of management focuses on providing both traditional and innovative financial, trade and retail services to non-industrial customers. Most recently, Banesto launched a sophisticated financial product-line to include the FOREX service that ensures foreign exchange stabilization for import-export operations. The export finance services currently represent a source of growing business, especially in Spain. Banesto is well-poised to take advantage of the export service market due to its extensive relations with both industrial and non-industrial middle-market and large Spanish companies.

For international portfolio investment services, Banesto works with Lacaci, a brokerage house that carries out investments through the stock exchanges in Madrid and Barcelona. Banesto's control of Spain's largest insurance company La Union y El Fenix corners that market, and its Banesto Europa arm in Brussels provides legal and bureaucratic consulting for investment opportunities stemming from Europe's Single Market.

Among its specialized services that have been launched over the past two years, Banco Español de Credito features Agrobanesto, which acts as an information instrument, counseling and management for Agrarians and agriculture food sectors. With the entry in the European Economic Community, Spain receives many loans and financial aids including funds from the European Investment Bank which have made possible the establishment in Spain of a European Center of Information and Promotion of the Rural Environment. Banesto extends substantial financial support to these initiatives.

Since 1989 cash management services at Banesto have experienced a great amount of development. Encouraged by 1992, which has increased the importance of direct access to markets in Europe, companies seek a new financial source or possibility of placing their Treasury surpluses in financial assets demanded for their liquidity and profitability. Banesto's Money Market Room has a special client service unit which allows immediate access to transactions both in pesetas and other foreign currencies. The necessity of adapting new products and services to new and specific client needs motivated the creation of investment funds and equities that are managed by Patrival, S.A. and Diverval, S.A. with a 100% participation of the bank.

Finally, in response to growing international concern about the environment and pollution, Banesto has carried on its tradition of social commitment by creating the "Banco del Medio Ambiente" or Green Bank. This new division is dedicated to serving customers and companies with pollution and recycling-related investment projects by offering financing for these projects and for mergers or acquisitions between these companies. Ω

Sources of Competitive Advantage Of Foreign Companies in Spain

FOREIGN COMPANY	SECTOR	LIKELY ADVANTAGE BROUGHT IN
Nestle	Food	Superior product quality, marketing skills adapted to local conditions
Ericson	Telecomm.	Superior product and technology
Carrefour	Distribution	New concept (Hypermarkets)
GM, Ford	Automobile	State-of-the-art technology, ability to develop auxilary industry
Philips	Lighting	Superior technology
Nekerman	Tourism	Ability to match foreign demand with local supply, new products

Source: MCKINSEY & CO.

Pfizer in Spain: Using Investment As a Vehicle for Market Penetration

Before an audience of over 120 top government and business executives from Spain and the United States, the President of Pfizer International, Mr. Robert Neimeth, addresses Spain's pharmaceutical industry and focuses on the country's investment potential for U.S. companies

SPECIAL
REPORT

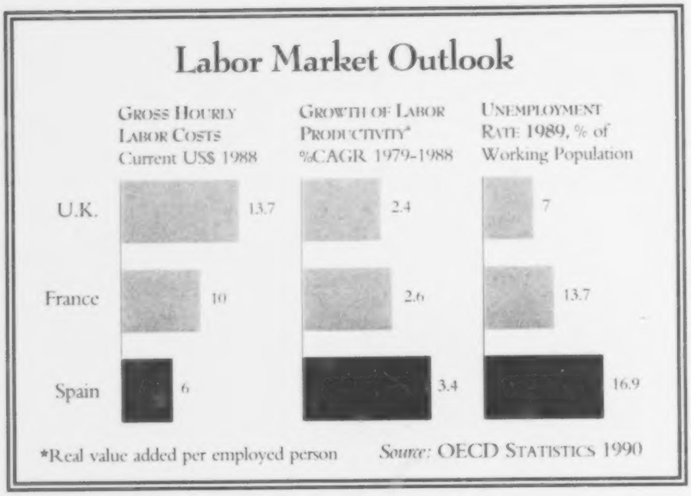
As one of the leading multinational pharmaceutical and health-care corporations in the world, Pfizer Inc. started its operations in Spain in 1954 with a sales promotion office. It now has four main branches including the Binesa plant, a large manufacturing facility near Madrid, and offers animal heath products, specialty chemicals, mineral products and consumer products. There is no doubt that Pfizer's success story is due in large part to the amenable economic environment in Spain. However, it is currently facing some potential, industry-specific obstacles stemming from Europe's planned single market for drugs by 1992.

Pfizer became a stock corporation ("Sociedad Anonima") in 1962 following the successful completion of a stabilization plan that enabled the country to open up to foreign investment. In 1982, following an investment in new chemical synthesis facilities, the manufacture of key new drugs emerging from research efforts was initiated at the Binesa plant. Pfizer used raw material production in Spain to satisfy 70% of its local requirements in 1989. In 1990, the policy of local basic production will continue as Pfizer gears up to manufacture its most recent discoveries in both the human and animal health-care areas.

> There is considerable untapped potential in Spain's autonomous regions and the labor force is abundant and highly skilled, particularly in pharmaceuticals

* * *

Pfizer's growth in Spain resulted from the consistently increasing rate of capital investment, sales, and number of employees. Growth has been tremendous, reaching a consolidated capital amount of 948 million pesetas or $10 million with total assets valued at $53 million. The annual sales of Pfizer in 1989 in round figures were 5.5 billion pesetas or $60 million. Responding to these rates of growth, Pfizer's work force started from a minute team of 30 people, and now in the health-care operations alone, it employs approximately 400 people in drug production and marketing in both the human and animal areas. It is currently active in the exportation of finished products to the European Community (EC), which is estimated to represent 26% of Pfizer's local plant production output.



*Real value added per employed person

Source: OECD Statistics 1990

Over 400 US Firms Already in Spain

Spain represents both a challenge and opportunity for American companies, both large and small. An investor has easy access to the government and a constructive dialogue on problems is readily accomplished, which is not true of every EC country. There is considerable untapped potential in Spain's autonomous regions and the labor force is abundant and highly skilled, particularly in a sophisticated sector such as pharmaceuticals.

In a macro-perspective, Spain's geographical location between the North American continent, Africa and the rest of Europe is another important advantage. Also, it should be pointed out that the majority of the Latin American nations, including Mexico, Argentina and Chile, see Spain as their investment gateway to Europe

On the micro level, the foreign investment climate in Spain features such attractive conditions as relatively moderate taxes and labor costs among the other Common Market countries. The favorable climate is further tempered by a very liberal policy which imposes practically no obstacles to the remittance of royalties, investment proceeds, invested capital and capital gains. Acquisitions have proceeded at such a pace that foreigners own more than 30% of the industrial investment. This foreign investment activity will undoubtably be stimulated by the ratification of the U.S.-Spain Double Taxation Treaty.

A recent report of the U.S. Department of Commerce ranks Spain as a great trade opportunity. Europeans have understood this and profited from it by expanding their exports and investing in Spain.

To be sure, interest in Spain has never been higher. While economic realities have effected its growth boom somewhat, Spain has an economy that works, but more importantly, an economy hat works today. Medium-sized U.S. corporations would do well to take a close look at Spain as country that can provide attractive conditions for profitable international expansion. In conclusion, Spain has been a successful partnership for Pfizer despite some potential problems for our industry. Ω

SPECIAL REPORT

Abolition of Barriers in 1992 is a Challenge

The incorporation of Spain into the EC has brought about a process eroding barriers among countries in Europe spurred by the gradual implementation of the single market directives in pharmaceuticals by 1992. The cross-border movement of products and institutions presents a potential problem for the industry in Spain because drugs prices are the lowest in Europe. The need for more regulatory price control and a streamlined approval process to prevent artificially low prices has not been more pressing.

The inadequate intellectual property protection for pharmaceuticals in Spain poses another threat for the industry despite the introduction of product patent protection for chemicals and pharmaceutical drugs slated for 1992. However, this protection will, in practice, only apply to those finished products marketed after the year 2000 due to the long period required to bring a patented product through the development and regulatory approval process.

This lack of protection leads to the proliferation of copies in the market which augments competitive pressures, promotional investments and, potentially, drug consumption. In turn, an increase in the consumption of "copied" drugs impacts the coffers of the social security system while reducing innovators' ability to get a fair return on investment. This could further lead to the possibility that multinational pharmaceutical companies may limit their activity in Spain to that of local distribution and sale centers.

> With foreigners owning more than 30% of the industrial investment in Spain, the country has provided Pfizer with a successful partnership

* * *

Pros and Cons Of U.S. Business Establishments In Europe: A Tax Perspective

SPECIAL REPORT

The downside of using a sales agent as an instrument for market penetration in Europe is that the U.S. exporter may be subject to taxation in the agency's country if the agent constitutes a permanent establishment of the exporter

BY SALVATORE C. VAUDO, JR.

For U.S. companies interested in exporting to Europe, tax advantages can greatly differ depending upon the way a foreign market is penetrated. The following bullet-form summary explains the tax pros and cons for American firms using distributors, sales agents, commissionaires and master distribution base companies.

Looking for a Distributor?

A distributor is a related company in the local market country, generally located where a high tax regime will be in place (e.g. Germany). The distributor will take inventory risk and receivable risk and will require both sales and administrative support systems.

The advantages are fourfold. The distributor is able to present a local face in the local economy. The U.S. exporter has no local permanent establishment because it is merely selling into the country rather than in it. Also, customs value is based on the import transaction value, not resale value into the local economy, if the distributor carries on certain activities. Finally, value added tax (VAT) is the responsibility of the distributor company. In some EC countries the payment of the VAT in importation can actually be deferred.

A definite disadvantage is that the distributor profit share should be greater than that of a mere sales agent because of the difference in activities and the higher costs and risks undertaken by the distributor. An additional consideration is that by using a "contract distributor" whereby the U.S. parent bears all development and marketing penetration costs (i.e. retain marketing intangible in the U.S.), it receives a fixed compensation plus additional bonuses for sales in excess of average. However, this arrangement may not be acceptable by or in many countries.

SPECIAL REPORT

Sales Agent

A sales agent is a related company whose employees, on a virtually exclusive basis, engage in selling the exporter's products. The exporter pays the agent a commission for concluded sales. Compared to a distributor, the agency relationship involves fewer risks and costs for the agent. In this scenario, the disadvantages seem to outweigh the main advantage which is that a lower degree of profitability is acceptable to local authorities.

The downside of this form of establishment is that the U.S. exporter may be subject to taxation in the agency's country if the agent constitutes a permanent establishment of the exporter. Customs duties are based on the value of the inventory sold to the ultimate customer. However, if the U.S. parent bought the goods from a third party for shipment to the agent, then the customs value of the goods will be based on the sale from the third party.

Also, the sales commission charged by the agent will be included in the customs value of the imported goods. If the local agent does not have the authority to conclude a contract or is not the party deemed to be the seller of record, the group may not be able to effectively penetrate the local market.

Commissionaire

A commissionaire is a special category of commission agent which, by agreement with the principal, acts as a distributor vis-a-vis customers or third parties without disclosing its agency relationship with the related exporter. The exporter bears the risks and the costs of the sales and pays the commissionaire a commission. This arrangement is generally acceptable in a number of countries, particularly civil law countries such as Germany, France, Spain, Netherlands and Belgium.

The benefits with a commissionaire are twofold. Since the exporter assumes virtually all the risks and costs of the sales, the commission payable to the commissionaire can be minimized. Also, under interpretation of most treaties, the exporter undertaking the transaction with the commissionaire will not be deemed to have a permanent establishment in the local market country since the commissionaire contracts in its own name and not in the name of its principal.

The negative effect of such an arrangement is that when a foreign distributor sales company is already in place, a commissionaire structure may entail a dramatic drop in profits in the local market country which may be challenged by the local tax authorities. Also, customs duties are based on the resale value to the ultimate customer.

Master Distribution Base Company

The U.S. exporter sells to the master distribution company (MDC), most typically with title passing outside the United States in order to achieve foreign source income treatment of the income. The master company warehouses the inventory for distribution and then sells either to or through the related local marketing company under one of the sales agent techniques. The tax planning goal is to maximize the functions preformed in the master distribution company to justify optimizing the amount of profits retained in this company.

Included among the warehousing, distribution and marketing services of the MDC is small repairs, repackaging of the merchandise, handling of advertising and promotion efforts for the European market, providing clients with product and service information and displays, mailings and trade show-related information.

Using an MDC may reduce customs duties if it imports into Europe and warehouses the inventory in Europe before resale to local markets. This is possible because the markup on resale within the EC is not subject to customs duties. Another advantage is that foreign tax exposure may be managed by shifting functions and activities preformed to or from the MDC. The MDC can create a low-taxed source of income which can be helpful for foreign tax credit purposes. In this way, it is possible to maximize the foreign tax credit of the exporter. Ω

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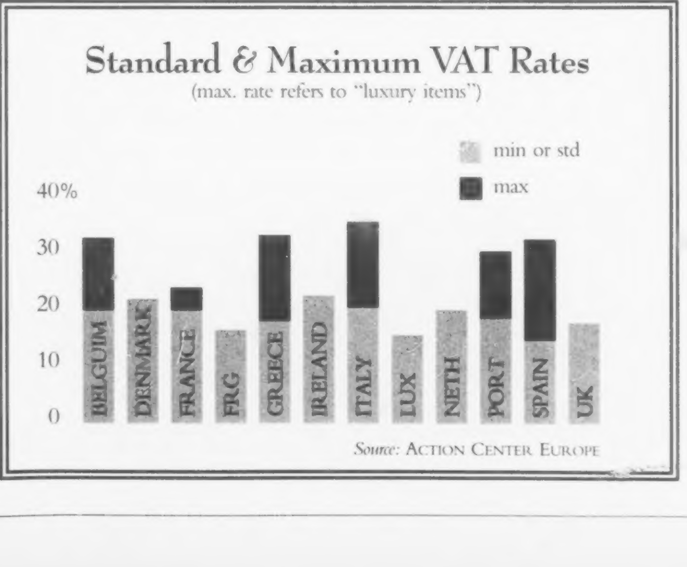

Standard & Maximum VAT Rates

(max. rate refers to "luxury items")

Source: ACTION CENTER EUROPE

The Day After: Spain's Competitive Advantage in 1993

The argument for sustained or increased foreign investment in Spain can be made by looking at both the government's initiatives in M & A activities and their 1992-inspired legislative reforms

BY JOSE M. BENEYTO

SPECIAL REPORT

As the single European market takes shape, the future of Spain's companies becomes clear: except for a few large industrial holdings and specialized, small but dynamic companies, an increasing number of Spanish operations will be in the hands of foreign companies. The inherently small size of Spanish companies, their lack of technology, their poor distribution network and low presence have forced many Spanish businesses to either sell out to foreign entities or forge joint ventures with them. This trend will continue over the next five years, while the remaining local companies will be concentrated in the industrial portfolios of the large banking groups.

The boom of the past years—and probably still in some years ahead—is clear consequence of this "selling out" of the country. However, the tendency for Spanish business to be increasingly controlled by foreign investors has proven to be, so far, rather positive. This trend has accelerated the country's modernization and liberalization process, speeding up the transition to modern manufacturing, unrestrained competition, rational distribution networks, advanced technology, increased local R&D and innovative financing.

> **Modernized Spanish operations and foreign investment will be largely responsible for economic growth over the next 10 years.**
>
> * * *

But, the current "gold rush" through acquisitions is also increasingly going to become a challenge. Although the decisions affecting Spanish firms will mostly be made in other European countries, there is little chance that Spain will lose its manufacturing infrastructure. Spain will be a key country in European operations given its large young market and labor cost advantage. However, the real litmus test for Spain's future competitiveness will come at the end of the 1990's.

The government's policy towards state-owned industry took a significant turn in 1989 when the state's most powerful companies began aggressively to make significant share purchases in key economic sectors. The government started to encourage the restructuring and consolidation of Spain's industrial sectors in order to keep industry in domestic hands. In some cases, foreign interests were sought. The strategy is part of a more global attempt to create Spanish companies that can compete in the single market.

The electricity-supply industry is an example of strong government intervention into an industry's restructuring where the role of foreign investment in the capital base will be minimal. The partially privatized utility company Endesa has acquired a large holding in the private utility company Sevilla de Electricidad.

The privatization of Spain's truck manufacturer Enasa revealed the new aggressive approach of state owned industry that aimed to secure foreign capital. In this case, Fiat bought a 60% stake in Enasa from the government with corporate shares rather than cash, providing it with significant control in one of Europe's major truck manufacturers. Iberia Airlines and Inespal, the state's aluminum holding company, have plans to launch a share issue, although a majority will be controlled by the government.

The activities of Spain's state-owned companies can potentially be blocked by the EC Commission if the government tries to interfere in the buying and selling of shares between private shareholders. Thus far, Spanish officials appear to have maintained a neutral position in merger and takeover agreements, although the government's "silent approval" is required in "strategic" situations. As a leading actor in M&A activity, the telecommunications company, Amper (partially owned by the government) moved toward a joint venture with AT&T to participate in AT&T's European capital structure. The central government has also ordered regional authorities to reduce the amount of incentives available for new investments as well as the amount of investment subsidized by the end of the transition period to further avoid any potential "official" interference in future M&A deals.

> **The boom of the past years is a clear consequence of the "selling out" of the country. However, the tendency for Spanish business to be increasingly controlled by foreign investors has proven to be, so far, rather positive.**

* * *

The Reinforcement of the Business Climate Through Legislative Reforms

The future development of M & A activity is going to be facilitated by the new corporate and competition legislation which became fully effective on July 27, 1990. The reform adapts Spain's corporate laws to the EC directives. Spanish companies will be required to present audited accounts in standard accounting form and a management report giving complete information about the company's evolution. Companies closing accounting years after June, 30 1990 are required to submit accounts to a certified auditor. Audited accounts must then be submitted to the Mercantile Register which will be open to the general public.

In July 1989, new competition legislation was adopted that replaced a 1963 law and integrates the EC competition directives. This new law aims to accelerate the judicial proceedings in anti-trust cases and allows the Competition court to issue speedier injunctions and impose fines directly without waiting for the government's decree. The EC will continue to put pressure on the Spanish authorities to pay more attention to possible antitrust infractions and wide spread cartels. As a result, the government office in charge of inspecting competition violations, the Directorate General of Competition (DGDC), will increasingly upgrade its inspection process over the forecast period. Up to now the DGDC has concentrated mostly on collective price-fixing and has filed complaints against domestic banks, daily newspaper companies and a computer equipment distributor.

The DGDC is expected to take a tougher stance and crack down on the many industrial sectors that meet regularly to fix prices and divide the market. If the DGDC does not do an effective job of enforcing competition, legislation is expected to increase. Current penalties are both light and rare. Spain's consumer groups will play a more important role in ensuring a more competitive business environment. Consumer groups, led by the Union of Spanish Consumers, have rallied against the fixing of commissions in the banking sector and the pharmacies' monopoly on the sale of special milk for infants.

A new administrative regulation concerning foreign investments entered into force in February 4, 1990. "Direct investment" is defined as the ownership or acquisition of 20% of the capital of a Spanish company, or else "the enjoyment of direct of indirect representation on the board of directors." In the case of companies listed on the stock exchange, foreign shareholders are not taken into account for administrative verification purposes unless they exceed 5% of the capital of the company, or although with less than 5%, the foreign investor has a direct or indirect representation on the board of directors. According to the new regulation, it is possible to invest in Spain without requiring administrative permission in, among other, any of the following circumstances:

- Direct supply to a Spanish company of foreign capital equipment, technological and management know-how, patents and licenses
- Grants of contribution to restore the new asset balance of a subsidiary in Spain
- Direct investment of an amount less or equal to 25 million pesetas
- Portfolio investments or shares of Spanish companies not listed on the exchange but at fixed prices
- Participation in Collective Investment Funds
- Contracting of financial and commodity futures and options by non-residents

The new regulation follows in the line of reducing restrictions on foreign investment. It shows that the tolerant attitude of the government towards foreign acquisitions—exemplified by the Kuwaiti Investment Office's acquisitions in the chemical and paper sectors and by the foreign investment in Spain's medium-sized food and beverage companies—will not be changed by the "new strategy". In fact, to strengthen what is left of Spanish-owned industry, the government intends to limit itself to certain public companies and to encourage the banking sector to consolidate its industrial holdings.

As of January 1990, there were 134 EC directives in Spain pending transfer to national legislation after the deadline fixed by the European Commission for their implementation had passed. Spain was required to include 1,077 directives in national legislation following its joining the EC in January 1986. Of these, 235 are still pending legal transfer, with 134 having exceeded the time limit set by the European bodies. Most of them are in the environment, social and product liability sectors.

Some of the costs associated with a tougher environmental legislation will also only be perceived much later than in the other European countries. Labor costs are still lower on average than in the EC. Much of the implementation of the social and product liabilities legislation of the EC will be phased out. That means that for a while Spain can still enjoy all the benefits of EC membership without having to bear all of its burdens. For example, the new draft directive for a single license in the non-life insurance sector.

As labor costs in Spain increase slightly, the high productivity rates in the rest of Europe will level out and experience a drop in unit cost. Spain's "competitiveness pact" is expected to ensure real increases in income and overall growth in economic productivity. Indeed, the "day after" December 31, 1992 will not be a shock, but it will certainly improve some of Spain's competitive advantages for foreign investments. Ω

JOSE M. BENEYTO, *a former civil servant of the European Community, is currently a practicing attorney in Madrid and New York. He is the author of several books and articles on EC law and corporate finance. He recently completed a two year term as a Fellow with the Center of European Studies at Harvard University.*

At a Glance: Investment Laws

FORMS OF INVESTMENT	APPLICABLE REGIME	PROCEDURES
I. DIRECT ·20% Participation ·Formation of Branch or Permanent Establishment ·Loans > 5 yrs.	Liberalized ·up to 25 million pesatas ·foreign inv't > 50% of share capital Prior Verification if > 50% share capital if branch or loan	Notification of Foreign Investment Registry: TE 1, or Application for Verification to DGTE : TE 13 A
II. PORTFOLIO ·Acquisition of under 20% of shares ·Acquisition of Public Funds, Private ·Fixed Income Securities, or Interest in Investment entities ·Quoted Negotiable Instruments	All Liberalized	Notification to Foreign Investment Registry: TE 1
III. REAL ESTATE DESTINED FOR: ·Commercial Use ·Rural estate, plots of urban real property, and more than 3 units in condominium plot	"Direct" rules apply for commercial Prior Verification	Other than commercial use, Application for Verification to DGTE : TE 13 B Notification to Foreign Investment Registry : TE 7
IV. GENERAL RULES a. Sensitive ·National Security ·Gambling ·TV, Radio ·Air Transport b. Public Investors ·Governments ·Public Entities c. Contributions in domestic capital, foreign capital not with techn. assistance, patents foreign currency or manufacturing licenses	Prior Authorization from Council of Ministers Prior Authorization Prior Authorization	For Direct Investment Application: TE 13A or Notification:TE 1 For Real Property Application: TE 13B or Notification: TE 7

Prepared by Marietta Colera Garzon

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The Choice of Language When Advertising to Hispanics

Based on their recent study, the authors explain that the key in advertising to English-dominant Hispanics is to create English copy that reflects Hispanic values and culture

BY SIGFREDO HERNANDEZ PH.D. AND LARRY NEWMAN PH.D.

The prevalent view among advertisers and advertising agencies serving the Hispanic market is that it is best to advertise in Spanish. However a "Spanish-only" advertising policy is based on an oversimplification of the market. Ultimately, the choice of language in advertising to Hispanics depends on the target audience.

An important concept in understanding how to best advertise to the Hispanic market in the United States is determining the target's audience's level of acculturation. Acculturation is the process of learning a culture that is different from the one in which a person was raised. Thus, Hispanics that are high in acculturation tend to be younger, higher in socioeconomic status, U.S. born, and more English-dominant than Hispanics that are low in acculturation.

Many studies have noted significant differences between low-in-acculturation and high-in-acculturation Hispanics in the media language used or preferred, with the former favoring Spanish and the latter English. These differences have been consistently reported for all media, and show that high-in-acculturation Hispanics are more likely to use English language media than those who are low in acculturation.

Audience profile studies reveal that viewers of Spanish language television tend to be lower in acculturation and socio-economic status than those who watch English language stations. A survey conducted by O'Guinn, Faber and Meyer aimed at producing a profile of Mexican Americans living in San Antonio concluded that individuals who prefer Spanish-Language television over English-Language television were a less acculturated audience. Furthermore, those Hispanics who prefer Spanish-language television tend to prefer to watch television news in Spanish, attend Spanish movies, prefer to read in Spanish, listen to the radio in the afternoon and, listen to the radio at home. They are less likely than other Hispanics to be born in the U.S., buy through the mail, and own a range and a telephone. These two last variables suggest an audience of less economic means, an interpretation consistent with a low level of acculturation.

The choice of language in print media is more difficult to determine because not all markets with a high Hispanic concentration offer an untapped market for Spanish-language print. For instance, San Antonio, the fourth largest Hispanic market in the country with a population of approximately two million, of which nearly one million (50%) are Hispanics, cannot support a Spanish-language newspaper. The reason is that most of San Antonio Hispanics are second and third generation residents. Among them, 17.7% are English-only speakers, 54.3% are bilingual, and 28% only speak Spanish. According to Strategy Research Corporation, two thirds of San Antonio Hispanics have resided in the U.S. for 30 years or more. Such lengthy residence again suggests high levels of acculturation in this market.

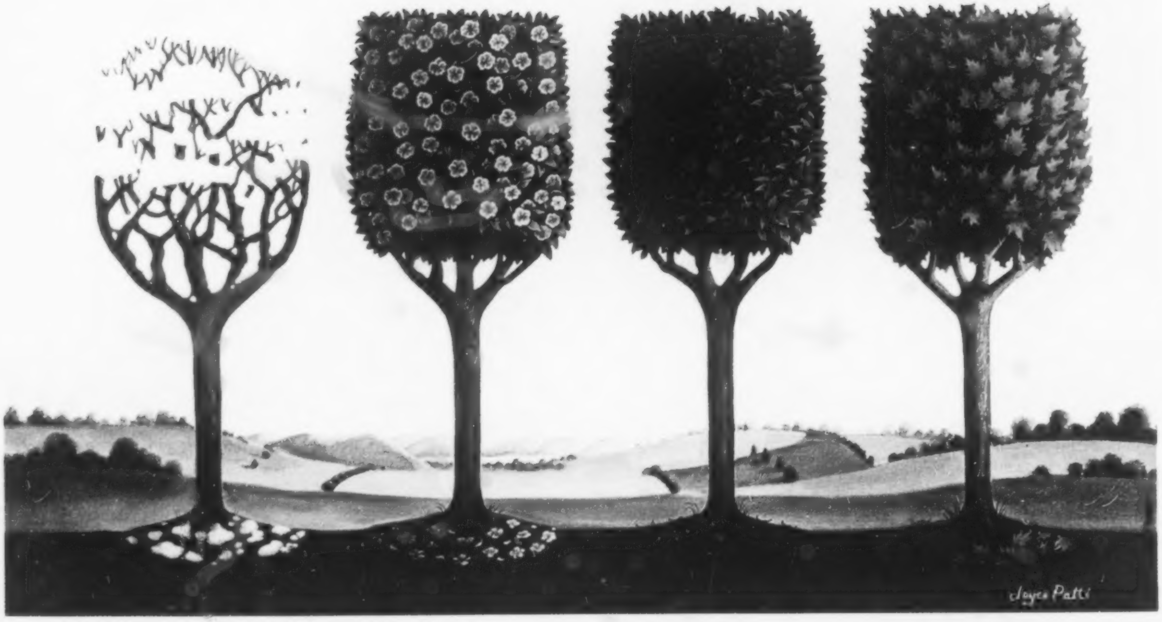
> [As the fourth largest Hispanic Market in the country, San Antonio cannot support a Spanish-language newspaper]

HIGH GROWTH IN SPANISH-SPEAKING HISPANIC POPULATION

The growth for the Hispanic population by language fluency is assumed to be the key in the future potential of the English-language and Spanish-language media segments. Strategy Research Corporation reported in 1989 that among U.S. Hispanic adults, Spanish language skills grew and English language skills declined for the 1987-1989 period. Hispanic adults who reported speaking Spanish "well" or "very well" increased from 86% to 90% of all Hispanics during the two-year period, while those who reported speaking English "well" or "very well" decreased from 43% in 1987 to 36% in 1989.

Strategy Research attributes this strengthening of the Spanish language to the rapid increase in new immigration in recent years. Most of the growth in the Hispanic population in the last 8 years has come from new immigration, estimated to be approximately 5.6 million individuals or 62% of the net increase in the population during the 1980-1988 period. This trend is

Drink in the glorious colors of Spain.
They're always in season.



A trip through the vast countryside of Spain yields a seemingly unending harvest of diverse wines. Perhaps it is because Spain has more territory planted to vines than any other country in the world. Or because the wines produced in Spain today are the result of 3,000 years of winemaking history. Whatever the reason, Spain is the world's third largest producer of wines, and Europe's largest producer of brandies. A feat not easily accomplished, but Spain boasts qualities no other country can.

It is this rich history coupled with a uniquely varied geography that allows Spain its remarkable array of wine regions as well as wine types. And you can be sure these precious natural resources are well used: 31 D.O.'s (Denominaciones de Origen) and one D.E. (Denominación Específica) keep strict controls to maintain superior quality in every corner of this wine producing land. So any open-minded wine drinker will discover sherries, reds, whites, rosés, sparkling Cavas, liqueurs and brandies of every characteristic.

Whatever the occasion, whatever the season, every palate is sure to find a palette of favorite colors, in the wines of Spain.

Wines *of* Spain

Wines of Spain, Commercial Office of Spain, 405 Lexington Avenue, New York, NY 10174 (212) 661-4814

expected to continue.

Two forces are at play regarding the future growth of Hispanic language segments. One force is the almost inevitable acculturation process that eventually results in the adoption of English as a first language. The other force, fueled by immigration and other factors, appears to be the strengthening of Hispanic heritage values. It is not clear whether the English-language or the Spanish-language group will grow in absolute numbers. The implication is that advertisers to the Hispanic market need to pay increasing attention to both segments and will have to think more carefully about their choice of Spanish-language vs. English-language media.

Main Research Conclusions

1) It is more effective to advertise to Hispanics in their dominant language, whether this is Spanish or English.
2) High-in-acculturation Hispanics are more likely to use English-language media than those who are low in acculturation.
3) Advertising agencies tend to perceive that English-language media plays a secondary role in their clients' efforts to reach Hispanic consumers.
4) Most advertisers believe that is best to advertise to Hispanics in Spanish.
5) Growth projections for the English-dominant and English-only Hispanic groups suggest an increase in market potential for English language media.
6) The key in designing effective ads for English-dominant Hispanics is to use English copy that reflects Hispanic values and culture which reinforces ethnic identity.

THE PERCEIVED ROLE OF SPANISH vs.ENGLISH LANGUAGE ADVERTISING

Despite the importance of the dominant language and the level of acculturation on advertising effectiveness, a large number of marketers continue to believe that they should advertise to Hispanics in Spanish. Although, it is reasonable to think that effective advertising to Hispanics should have a positive emotional effect on the audience, the use of Spanish-language ads may not be the most desirable way of achieving such effect with high-in-acculturation, English-dominant Hispanics. This segment understands English better that Spanish, and seems to prefer the use of English-language media. Spanish ads aimed at this segment in the English-language media may tend to exclude the non-Hispanic audience.

> Advertising agencies feel that English media plays a secondary role in reaching Hispanic consumers

A question arises as to how these perceptions that "Spanish is best" were formed and perpetuated among advertisers to the Hispanic market. It appears that both Hispanic advertising agencies and the Spanish media have played an important role in this regard. It is in the interest of the Hispanic agencies and the Spanish media to convince advertisers that it is best to advertise in Spanish. Their competence, compared to general market agencies and the English media respectively, is to a large extent tied to their Spanish language capabilities. Thus, at least in some measure, supply could be creating its own demand.

Many advertising agencies perceive that English-language media play a secondary role in their clients efforts to reach Hispanic consumers. The primary reason for this belief is because it seems that client companies view an advertising budget of $1 million as the maximum needed to promote a brand effectively in the market (Fitch 1990). Clients are likely to cover Spanish-language consumers first, and then, if the Hispanic ad budget is large enough, an attempt might be made to cover English-dominant Hispanics through English-language media. The implication is that only large Hispanic market client companies are willing to extend their budgets to add English-language advertising.

Hispanics define themselves by other cultural symbols in addition to language. Instead of Spanish advertisements, other cultural symbols could be used in order to achieve a strong emotional effect on English-dominant, high-in-acculturation Hispanics.

Because English-dominant Hispanics tend to feel strongly about their ethnicity, the key to effective ads is to create English copy that reflects Hispanic values and culture which tend to reinforce ethnic identity. English media needs to be used with an "ethnicized message". Cultural elements such as Hispanic food, music, holidays, customs, and cultural values such as the importance of the family, friendships and hospitality could be emphasized in the advertising copy. It is also important not to alienate the non-Hispanic audience. For instance, in a recent television commercial for McDonald's, the copy pictured a celebration that looked like a simple birthday party to most viewers. But many of the Hispanic viewers knew it was a "quincianera", a traditional celebration of a 15 year old girl's coming of age.

Furthermore, Hispanic terms and expressions such as "barrio, bodega, fiesta, pa'lante, qué pasa?, gracias" could be combined with the English copy to give it an ethnic flavor without the non-Hispanic audience feeling excluded. Even the Hispanic pronunciation of an advertiser with a Spanish name such as "Cafe Bustelo" or "Baño Popular" could provide the necessary ethnic meaning.

The trend that has been called "retroacculturation" among second and latter generation Hispanics indicates that this audience, predominantly English-dominant and high in acculturation, has a strong need to learn about their cultural heritage. They want to learn about Hispanic folklore, history, language and values. Advertisers could win the trust and loyalty of this audience by supporting cultural events and organizing cultural education programs directed at satisfying their need to learn more about their Hispanic heritage. Ω

DRS. HERNANDEZ AND NEWMAN *are Assistant and Associate Professors of Marketing, respectively, at Rider College in Lawrenceville , New Jersey. For further information about the Hispanic market and its advertising implications, please contact their offices at tel: (609) 895-5509.*

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Names in the News

Juan Antonio Samaranch

A native of Barcelona, Mr Joan Samaranch is the President of the CaixaBank C.G.I.B., known as the "Caixa". This savings bank is the largest in Spain in terms of deposits and ranks among the largest in Europe. A graduate of the Instituto Superior de Estudios de la Empresa in Barcelona, Mr. Samaranch is currently the President of the International Olympic Committee.

Andrew Young

Former Atlanta, Georgia Mayor Andrew Young is Chairman of the Board of Directors of the Atlanta Organizing Committee (AOC) and along with AOC President Billy Payne, led the city in its bid to host the 1996 Olympic Games. A native of New Orleans, Louisiana, Mr. Young is a graduate of Howard College and the Hartford Theological Seminary.

Miguel Aguiló

A native of Madrid, Mr. Miguel Aguiló has recently presented the new diversified organizational structure of the Iberia Group of Spain among whose holdings includes Iberia Airlines and Iberia Cargo. Mr. Aguiló is currently President of Iberia Group and Aviaco. He has been nominated to various posts in both the public and private sectors and holds a Directorship position at INI.

Victoriano Muñoz

As President of Acerinox, Spain's largest private steel and iron ore manufacturer, Mr. Muñoz has been a leading force in the recent joint venture between its United States affiliate, Armco Inc., and North American Stainless. With an initial investment of $252 million and the creation of 150 jobs, the deal seeks to build a new factory in Kentucky that will manufacture flat steel products.

On the Exchange

Banco Bilbao Vizcaya

Exchange: NYSE
Symbol: BBV

ADR Share Price Results ($)
Third Quarter 1990

High	36.75
Low	24.75
Close(9/29)	26.00

Net profit after taxes for Banco Bilbao Vizcaya (BBV) increased 10.3% in third quarter 1990 to 73.8 billion pesetas from 66.9 billion pesetas. This amount corresponded to a net profit per share of 319.3 pesetas or a 15.9% increase over same period for 1989 and confirms BBV's position as the largest Spanish financial group.

A 13.7% growth in third quarter customer deposits resulted from the launching of the "Cuenta Plus", a high yield current account, and the "Libreton", a savings account in March 1990. Also, cash flow for the bank grew 16.5% over the last quarter as a result of the restraint on operating costs and capital gains from both recurrent items and from asset disposals after merger rationalization between Banco Bilbao and Banco Vizcaya.

BBV's securities firm, Interactivos, has recently opened an office in London to prepare for its gradual penetration into the British stock market. The opening reflects BBV's desire to capture and channel the flow of institutional investments from this and other foreign markets, since many of the investments made by non-residents in Spain come via London.

Banco Central de Chile and BBV have reached a settlement to the dispute between the two institutions in fall 1990. The Chilean Bank has withdrawn its legal claim against BBV, on which it had imposed an administrative penalty of $500,000 for errors committed with the investment authorization.

Banco Central

Exchange: NYSE
Symbol: BCM

ADR Share Price Results ($)
Third Quarter 1990

High	25.25
Low	21.62
Close(9/29)	21.62

Banco Central (BC) reported a 17% increase in consolidated pretax profit for the first nine months ending September 30, 1990 to 70.7 billion pesetas from 60.5 billion pesetas for the same period in 1989. Client deposits with banks in the Banco Central group stood at 3.2 trillion pesetas, up 1.9% from a year earlier. BC said the parent's bank's pretax profit rose 17% to 46.1 billion pesetas from 39.3 billion pesetas. Net interest income rose 16% to 115 billion pesetas and earnings from loans grew 15% to 299 billion pesetas, while financing costs rose 14% to 184 billion pesetas.

During the third quarter 1990, the BC Board of Directors declared dividends as follows: 110 pesetas, or $1.01 a share, representing an increase of 15.8% for the same period last year. In addition, an interim cash dividend was paid in October, on account of the 1990 results in the amount of 100 pesetas, showing an increase of 11% over the period last year.

The bank decided not to compete for depositors by offering high-interest accounts and so did not experience a large increase in financing costs as many other Spanish banks have. As of September 30, 1990, this strategy has allowed the bank to increase its financial margin by more than 16% while being able to increase its total deposits by 1.9%. These factors contributed to the strong nine months earnings performance, allowing Banco Central's stock to outperform the S&P 500 index.

Banco Santander

Exchange: NYSE
Symbol: STD

ADR Share Price Results ($)
Third Quarter 1990

High	54.50
Low	38.25
Close(9/29)	38.25

Banco Santander registered a operating profit of 88.5 billion pesetas for the first nine months of 1990, an increase of 10.7% over the first three quarters of 1989. Net income for the period increased 15.4% to 53.9 billion pesetas (or 1.49% of average total assets), and the financial margin grew 10.87%. Operating costs rose 27.3% by September 1990, reaching 2.4% of average total assets. The higher expenses were primarily due to bank's strong growth.

The significant provisions made in previous periods, covering the requirements for pensions funds and credit risk, enabled the provisions for this year to be lower than 1989. Also, the first nine months of the year, the bank placed $700 million of subordinated perpetual bonds. This resulted ina capital adequacy ratio of 14% for the Banco Santander Group as a whole.

On October 8, 1990, an agreement was concluded with Crédit Lyonnais for the sale of Banco Santander's controlling interest in Banco Commercial Español. This asset disposal realized 41.5 billion and will produce a profit of 26 billion pesetas to be included in fourth quarter results.

Santander Puerto Rico bought Caguas Central Federal Savings Bank, whose gross assets amounted to more than $1.6 billion at the time of purchase. The transaction made Santander Puerto Rico the second largest financial institution in the Commonwealth of Puerto Rico, with an 18% market share.

Endesa

Exchange: NYSE
Symbol: ELE

ADR Share Price Results ($)
Third Quarter 1990

High	25.00
Low	18.25
Close(9/29)	18.25

Endesa's reported consolidated results for the three months ended September 30, 1990 show earnings per share of 75.54 pesetas ($0.8 per ADR). This corresponds to a gain of 13.5% over the 65.68 pesetas ($0.67 per ADR) registered for the same period in 1989. Consolidated revenues during the period were 146 trillion pesetas ($1.49 billion), a 6% rise over third quarter 1989.

A combination of low demand and high hydro production are the most important factors driving the results this year. Spanish electric demand increased during the first nine months of 1990 by 2.9% compared with 7.2% for the same period in 1989. High rainfall allowed a hydro production 59.5% higher that the year before. However, the behavior of consumption in the fourth quarter of 1989 and expectations of demand growth for the last three months of 1990, raise the company's estimate of total demand by the end of 1990 to 3.3%.

The oil crisis has had very little direct effect on the Spanish electric industry (at time of publication). Electricity produced by oil-fired plants so far this year represents only 1.2% of total output, with a reduction of 38% in respect to same period last year. Central Dispatch (Redesa) estimates that, with oil prices stable at their mid-October level, and no important changes in the fuel mix, increased costs for the electricity industry in Spain in 1990, stemming from higher oil prices, will be only $9 million.

Telefónica

Exchange: NYSE
Symbol: TEF

ADR Share Price Results ($)
Third Quarter 1990

High	29.37
Low	23.12
Close(9/29)	23.62

Over the first three quarters of 1990, net income for Telefónica increased 18.5% over the same period for 1989 to 56.5 billion pesetas. Earnings per share went up to 60.9 pesetas, showing an 18% increase, and cash flow per share rose 13.3% to 305.3 pesetas. The final dividend for 1989 fiscal year of 30 pesetas gross per share was paid on July 30, 1990.

Revenue from operations increased 19% over these past nine months to 613 billion pesetas. Operating expenses went up to 256.9 billion, 22.1% higher than the same period for 1989. This trend is due to the high investment activity that has taken place since the beginning of the year which, in addition to fixed assets, totaled 449.3 billion pesetas (or 35% more than same period for 1989).

The company's investment surge reflects a strong growth increase of 9.6% in the number of new line applications attended to, corresponding to a significant reduction in the waiting list for phone line installations of 22.3%.

Telefónica and AT&T have reached an agreement in which Telefónica will exchange its 20% holding in AT&T Microelectrónica España for a 6% equity share in AT&T Network Systems International. AT&T NSI is the management company for the development, manufacturing and marketing of public telecommunications equipment in Europe.

Telefónica has also announced plans to offer international video conference services.

The First Iberian Fund, Inc.

Exchange: ASE
Symbol: IBF

	NAV per Share ($)	Price per Share ($)
7/27	11.64	11.48
8/31	10.45	11.64
9/28	8.80	7.13

Portfolio Composition (9/30/90)

Equity Securities	74%
Fixed Income Securities	22%
Short-Term Investments	4%

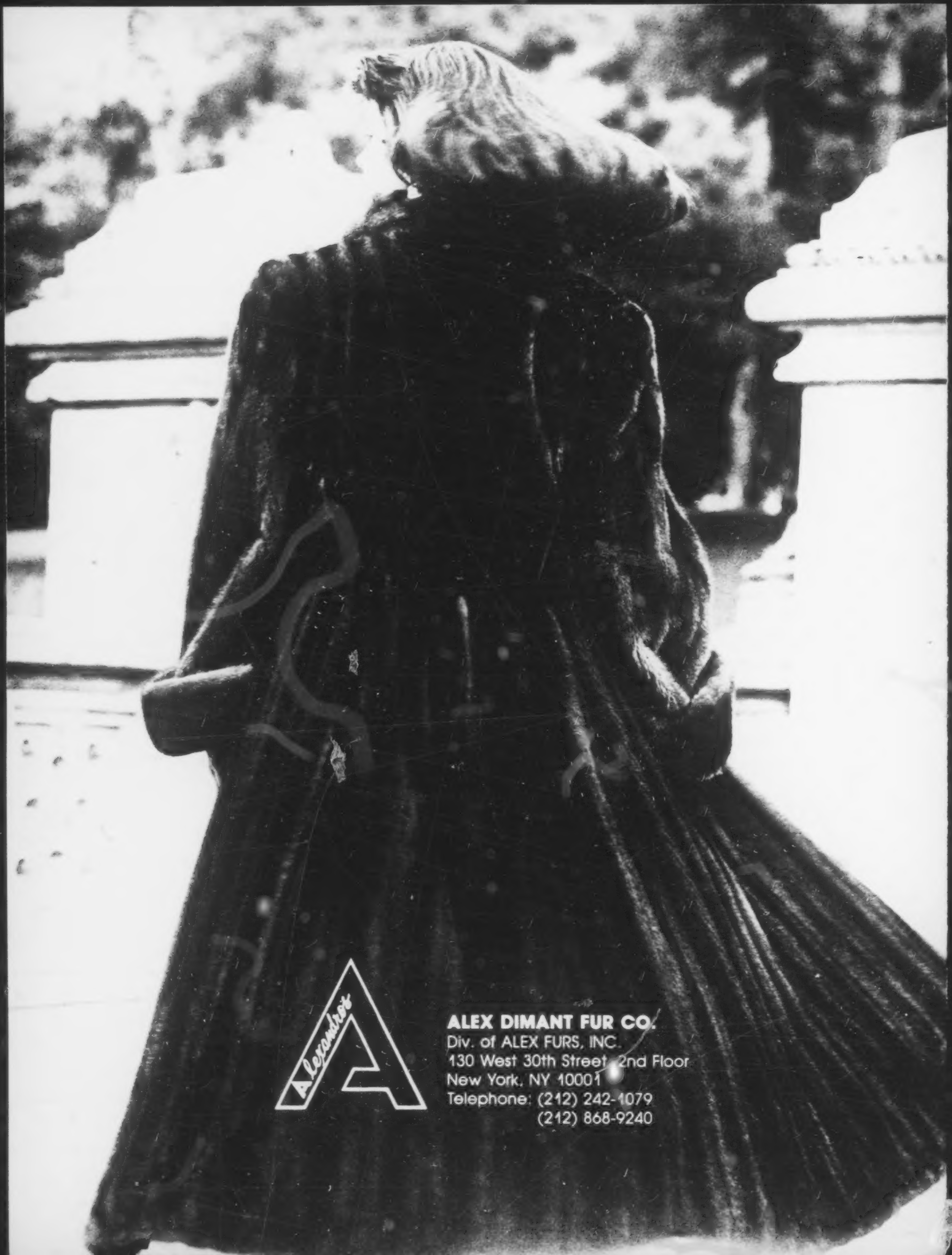
Geographical Composition (9/30/90)

Spain	95%
Portugal	4%
United States	1%

A diversified-closed end fund, the First Iberian Fund has clearly outperformed the Spanish and Portuguese stock market indexes since January. While the Spanish stock exchange dropped 21.3% through September 15, 1990, the Fund's Spanish assets have declined 12.6%. In Portugal, whereas the index has 22.3% of its value, the Fund's Portuguese assets have declined in value by 21%.

Since August 2, the Spanish Market's drop has been second only to Japan on an international basis.It dropped 21.3% over the first nine months of 1990 The Spanish market is very clearly oversold, even discounting a lengthy Gulf crisis.

Two factors are related to the Fund's outperformance during this downturn. First, the Fund is conservative and well diversified with more than 20% in high yields. Second, the Fund adopted a defensive policy in February 1990, resulting in less than an 80% investment in equities.



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[EC Report]

Mid-Sized U.S. Businesses Have Mixed Views of Europe 1992

Many small and mid-size companies already are doing business in Europe, but perceived barriers, and fear of the unknown can be intimidating challenges for others

BY ACTION CENTER EUROPE

Many U.S. manufacturing concerns already have set sail for Europe to take advantage of the potential lucrative opportunities Europe 1992 offers, but American service organizations may be missing the boat. That's just one of the findings of a just-released survey of mid-sized American firms conducted by Action Center Europe (ACE), the Europe 1992-oriented joint consulting effort of Horwath International, a network of international accounting and business consulting firms throughout the world.

According to Jane Sarasohn-Kahn, Director of ACE, 48% of the manufacturing firms surveyed said they were likely to increase or establish business operations in European Community (EC) countries. In contrast, only 17% of mid-sized U.S. service organizations indicated a desire to expand into the unified market of 1992.

But these figures tend to disguise what will likely be "a boom" in the location and expansion of U.S. service firms in Europe.

"We expect to see a tremendous European demand for a variety of services which many U.S. firms should be well-positioned to provide," Sarasohn-Kahn said. High on the demand list will be wholesale and retail trade services, lodging facilities, health care, leisure time services, leasing services, personnel agencies, restaurants, telecommunications services, and professional services such as legal, accounting, and insurance services.

This demand for services will be driven by a number of key factors. One of the most important factors is the growth of consumer-driven markets in Europe, fueled by an increasingly informed buying population, and a growing number of choices for a wide variety of retail products, as well as health care and other services.

"Part of this growth is tied to the elimination of intra-European tariffs and duties," she said. With a freer movement of goods and services, there is greater access to a wider array of goods. This, in turn, means more competition." Another factor is the growing number of cross-border business. This will also heighten demand for legal, accounting and even advertising and promotion services.

According to Sarasohn-Kahn, franchising will be a key growth strategy for many U.S. service companies in the Europe of 1992. She identified a number of personal service-type businesses offering franchise possibilities, including laundry and dry cleaners, photography, diet centers, video rentals, auto repair centers, clothing rentals, fitness centers, and beauty and barber shops.

[Franchising will be a key growth strategy for many U.S. service companies in Europe]

Franchising is a fast way to ensure a standard and a proliferation of a product. And with the decline of tariffs and the rise in cross-border business, there is a greater demand for services that can take a more pan-European approach. To date, most small to mid-sized European businesses in those fields tend to be very localized, "Mom and Pop" operations that lack the financial strength and marketing advantages a U.S. franchise operation can bring to the table. Given these advantages, and American franchisors' experience in expanding into new markets, this route would seem to be an optimum approach for U.S. businesses interested in the Europe of 1992.

SOME MIDDLE-MARKET FIRMS ALREADY "OVER THERE"

Still, not every U.S. business will be starting from ground zero. In fact, more than a third of mid-sized U. S. firms surveyed by Action Center Europe are currently doing business within or anticipate expanding business in at least one EC member country.

The greatest percent of company respondents indicated that they are currently doing business in the United Kingdom (64%), with France (62%) and West Germany (58%) following close behind. Survey respondents also identified those three countries as the most likely areas for new and/or increased business. The U.K. was cited by 31%, West Germany by 14%; and France by 11%.

According to Sarasohn-Kahn, a relatively small percentage for mid-market

CEO's recognize that Greece, Ireland and Portugal are EC member states. "That's significant, because these latter nations may present substantial opportunities for the mid-market business, given their favorable tax incentive packages and, in Ireland's case, strong cultural similarities."

According to Sarasohn-Kahn, Ireland has an aggressive industrial development authority, and has shown a strong willingness to work with U.S. companies interested in relocation. Furthermore, because of EC regulations, Ireland will be able to offer an assortment of development assistance funds, tax packages, and business locations services at least until the year 2000.

But a number of U.S.-based financial institutions' back office operations (insurance paper processing, check clearing, etc.) already have moved there. "For these types of service organizations, Ireland has become a low-cost provider of high-level data processing services. For the financial institutions, this means a decreased cost of operations, high value-added technology, better service for brokers, and faster turnaround."

"U.S.-based manufacturing concerns, meanwhile, may find they have a friend in Portugal," she noted. Like Ireland, Portugal also has developed a series of tax packages designed to stimulate foreign investment and business development. As a result, Portugal may well become a preferred low-cost manufacturing site for U.S. companies looking to expand into Europe.

EUROPEAN EXPANSION: BARRIERS OR BRIDGES?

Still, despite the widespread interest which Europe 1992 has achieved in the U.S. business community, the ACE survey unveiled a variety of perceived barriers to entry in the European business community which U.S. firms feel will be difficult to overcome. Heading the list of concerns are government regulations/legal problems, culture/custom differences, language barriers and overcome increased competition.

"EC '92's objective is to clear up a lot of the confusion by developing a pan-European market, that will break down the legal, fiscal and technical barriers," she explained. "Business should be more easily done in a post-1922 world." As for differences in culture and customs, there are cultural differences in every market—even in the U.S., which contains such culturally distinct markets as Boston, Houston, and Miami.

> Heading the list of barriers to Common Market entry are government regulations, cultural differences and increased competition

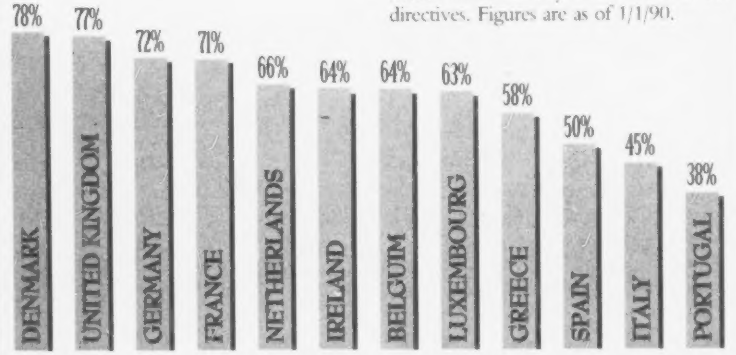
"American businesses should be well-suited to a pan-European market because they are accustomed to doing work in a pan-U.S. market," she said. "American firms already acknowledge that cultural differences have to be recognized in terms of developing a marketing effort. They are not difficult to overcome, if you have carefully selected the right management team."

One way to begin to overcome these differences is to work with a local company or individual. "If you have an ally who is a foreign company, that company is likely to be aware already of legal and regulatory requirements," Sarasohn-Kahn explained. "And there are other potential advantages—such as the fact that its business professionals are locals who are assimilated into the local culture, who are probably bilingual, and who understand local market issues."

"The moral of the story is that competition in Europe tends to be very localized, and very fragmented," she said. "But that competition can also become an ally. That might mean a merger, acquisition, joint venture, or some other type of strategic business alliance." Such agreements with local companies—either in the same or a complementary business—can be a major help to American companies considering establishing business operations in the Common Market. The arrangement might be as simple as an exchange of customer lists, or as formal as a research and development agreement for a proprietary product. "Regardless of the strategic alliance vehicle, it breeds a relationship and commitment to new markets. When you have a partner who understands them, he or she can help you enter more quickly and avoid the pitfalls inherent in the local market. Thus, for small to medium-sized firms, strategic alliances can be very advantageous." Ω

1992 Directives Adopted by EC Countries

Countries ranked in order of % of total directives adopted by national governments. Each country faces a total of 98 directives. Figures are as of 1/1/90.



Source: ACTION CENTER EUROPE

ACTION CENTER EUROPE *is a 1992-inspired program of Horwath International, a network of affiliated accounting and business consulting companies operating throughout the world. Action Center Europe provides a toll-free number to help executives of mid-sized firms begin developing strategies to position their firms to take advantage of opportunities in Europe: (800) -283-1992.*

Inaugural Luncheon of EACC Addresses Eastern Europe

The first European-American Chamber of Commerce (EACC) luncheon in November 1990 inaugurated the beginning of the efforts of the eleven bi-national Chambers of Commerce to collectively and individually participate in a balanced discussion on economic relations between the United States and Europe. The occasion was marked by a provocative speech by Mr. Otto Wolff von Amerongen, Chairman of the German East-West Trade Committee, who addressed "Opportunities and Limitations of Investment and Trade with Eastern Europe".

Before the podium was turned over to Mr. von Amerongen, Mr. Serge Bellanger, President of the French-American Chamber of Commerce, commented that the EACC is a "long overdue project" and that the eleven bi-national Chambers of Commerce including the Spain-USA Chamber "are confident that the EACC will greatly contribute to the fostering of US-EC trade at large by expressing a united voice for major US and EC multinational corporations." Mr. Bellanger stated that the EACC's operational structure will be implemented early in 1991.

Known as "Mr. East-West Business," Mr. von Amerongen spoke about the importance for all OECD nations to support the democratic revolutions that have occurred in Eastern Europe. The tasks of restructuring Eastern Europe requires international capital, international know-how, and international products. Acknowledging the reservations expressed in the international press about German dominance in East Germany, he claimed that the adjustment there is so great that the tasks involved can not be mastered by one economic power alone. Ω

L to R: Ricardo Jové, Otto Wolff von Amerongen and Serge Bellanger.

A New Era in European Telecommunications

EC member states have received formal notification of two directives which mark the beginning of a true single market in the telecommunications sector. The two directives are related. The Open Network Framework Provision (ONP) directive is designed to facilitate access of private companies to the public networks and certain public telecommunications services. This makes possible the provision of pan-European services previously hampered by the absence of harmonized technical interfaces, divergent conditions of use or discriminatory tariff principles. The second directive concerns competition in the Markets for Telecommunications Services Directive (dubbed the Article 90 directive because it is based on that article in the E.E.C. Treaty) establishes the right for independent undertakings to offer new services on the telecommunications network. The thrust of the measure is to abolish the national monopolies in the field of telecommunications services, except for voice telephony and control of the basic network. (see "Article 90 Strikes in Spain" in THE BUSINESS LINK Fall 1990).

US Business Bullish on the "New Europe"

A recent KPMG Peat Marwick survey polled 700 top U.S. executives on their attitudes and behavior vis-a-vis the "New Europe" (defined as the EC, EFTA, Eastern Europe and the Soviet Union), revealing that 65% of the companies surveyed plan to expand or have expanded their production or service capacity in Europe. In addition, 58% plan to merge, acquire or form a joint venture with a European partner (or have already done so), and nearly half plan to change or have already changed their distribution arrangements. Larger companies, particularly those in high tech and manufacturing, are the most active.

US Businesses Unprepared for 1992

In another recent but somewhat different survey by Market Access Europe SA, U.S. CEO's of non-Fortune 500 companies admit to a shortage of understanding and information vis-a-vis the single market measures affecting their businesses. Although 70% of the CEOs polled believe U.S. corporations do either an outstanding, good or adequate job of defending their interests, 51% maintain that their own company's res-ponse to EC developments has been poor or very poor. Further, 89% of the respondents judge their company's knowledge of the single market legislation affecting their businesses as insufficient. Over the last 12 months an astonishing 64% took no action whatsoever concerning the EC, while only 17% secured literature or data, only 15% modified their business plan, 5% sent a delegation and 3% hired consultants. Perhaps for historical reasons, U.S. small business remains firmly fixed on the domestic market as 57% of all participants believe that the best prospects for their businesses lie in the United States.

Green Paper on Standards Released

In order for European firms to exploit the economies of scale resulting from the 1992 single market, the European Commission believes an intensified effort to prepare European standards is needed. Hence, the Commission has sent managers of European industry a newly adopted Green Paper on standardization with this crucial message: make standardization a central element of your 1992 strategies. In addition, the Commission has put forward some priorities for national and European standards bodies including more efficient methods to reduce preparation time which, at present, averages three years. Ω

SOURCE: EUROCOM

Principal Forms of Organization For Foreign Banks in New York

For foreign banks looking to secure a foothold in New York, the 1990's may be a time of opportunity rather than a time of uncertainty and stress

BY CLYDE MITCHELL AND CLIFFORD J. HENDEL

One of the most dramatic changes in the New York banking market in recent years has been the increased involvement of foreign banks. An *American Banker* survey identifies nearly 500 foreign banks currently operating in New York in one organizational form or another. Spanish banks have participated significantly in this trend. Several major Spanish banks (including Banco Espanol de Credito, Banco Hispano Americano, Banco Bilbao Vizcaya, Banco Central, Banco Exterior de Espana, Banco de Sabadell, Banco Santander and Banco Atlantico), have entered the U.S. market in the past two decades and now form a significant banking presence in New York.

With the aroma of recession hanging heavy over Wall Street, certain large New York-based U. S. banks have already commenced major restructuring and belt-tightening measures in response to a decrease in business. For foreign banks seeking to secure or expand an existing foothold in the New York marketplace, the 1990's, however, may be a time of opportunity rather than a time of stress—with generally conservative lending practices (evidenced, in the case of Spanish banks, by generally limited exposure to third world debt) and the backing of strong foreign parents, these banks may be to some extent immunized from the general malaise in the industry. This may be especially the case for European banks, which experienced greater growth in 1989 than their U.S. counterparts. Even the most pessimistic bankers agree that the United States' huge and influential financial markets make it important for foreign banks to retain a U.S. presence.

While a U.S. presence usually involves a New York presence, many leading banks including Spanish banks have also established offices elsewhere in the United States, including San Francisco, Los Angeles and Miami. Puerto Rico has been an important entryway for Spanish banks into the United States, as its Spanish-speaking populace and roots make it an attractive and receptive area for Spanish banks interested in cracking the U.S. market. Certain Spanish banks have used their U.S. and Puerto Rican bases to service the Latin American market, both in lending and in fee-based transactions that are increasingly common in Latin America (such as advice regarding debt conversion and privatization programs). Banco Santander and Banco Central are examples of Spanish banks with an important presence in Puerto Rico.

> [European Banks have experienced greater growth in 1989 than their U.S. counterparts]

This article summarizes four of the most useful organizational alternatives open to foreign banks considering entry into the New York market by means other than establishing a commercial bank or making an outright acquisition of a going concern.

REPRESENTATIVE OFFICE

Regarded by many foreign bankers as the most flexible and least expensive means of entering the New York banking market, a representative office is not, as a legal entity, separate from the foreign bank. A representative office is often a single individual who serves as a contact point, information gatherer, business promoter and public relations outlet for the head office, all with the primary goal of generating goodwill and business contacts, The office may not accept deposits, make or approve loans or disburse funds and, accordingly, it faces no reserve or loan limit regulations. Representative offices often serve as a foreign bank's first avenue for access into the U.S. and often evolve into one or another of the other forms of organization described below.

Representative offices of foreign banks in New York must register with the New York Superintendent of Banks (the Superintendent) and the United States Secretary of the Treasury. In addition, a representative office of a foreign bank with total worldwide consolidated assets of less than $500 million must obtain a license to do business in New York from the Superintendent. Banco Exterior de Espana and Banco de Sabadell are among those Spanish banks that presently maintain representative offices in New York.

NEW YORK AGENCY

Like a representative office, a New York agency is not a separate legal entity but rather an office of the foreign bank licensed by the Superintendent. Except for the receipt of certain "domestic" deposits (e.g., deposits from U. S. citizens or residents), a New York agency may engage in a full range of the usual banking activities, including the power to make loans, to buy, sell, pay and collect bills of exchange, to issue letters of credit, to pay and collect for the foreign bank, to issue certificates of deposit in principal amounts of $100,000 or more, to sell or issue checks, drafts, travelers' checks, money orders or other similar instruments and, with the separate approval of the Superintendent, to exercise fiduciary powers. A New York agency is generally free from lending limits and reserve requirements under New York law and is not eligible for Federal Deposit Insurance Corporation (FDIC) insurance. An agency is subject to the same reserve requirements as Federal Reserve member banks if the foreign bank in question or a company or group of companies controlling it has total worldwide consolidated assets in excess of $1 billion. However, a New York agency may establish an International Banking Facility (IBF), and approved deposits made with an IBF are not subject to reserve requirements.

Banco Atlantico presently maintains an agency in New York. Several Spanish banks also have agencies in other U.S. cities, notably Miami, as Florida law at present prohibits foreign banks from setting up branches in the state.

NEW YORK BRANCH

A foreign bank may wish to establish a New York branch, which would enable it to participate in the full range of banking services to the same extent as a full-service New York commercial bank. This includes the power to accept deposits (whether "domestic" or not) as well as to obtain the authority to exercise the same fiduciary powers as a trust company under New York law.

The versatility of the New York agency organizational form (as opposed to a New York branch) is demonstrated by the fact that, other than with respect to deposit-taking, there are few remaining distinctions between the functions of a New York branch and an agency. The procedure for obtaining license generally is the same as that applicable to a New York agency.

Because it is not a separate legal entity, a New York branch does not have capital as such. Instead it is subject to a minimum assets pledge sometimes referred to as the "5 percent rule". Every foreign bank that opens a branch must deposit at another bank in New York liquid assets equal to five percent of the total liabilities of the New York branch, exclusive of accrued expenses and liabilities to other offices, agencies, branches and wholly-owned subsidiaries of the foreign bank. For a foreign bank opening a branch, the initial five percent deposit is based on the branch's one-year projection of total liabilities.

> **Certain Spanish banks have used their US and Puerto Rican bases to service Latin America**

Branches, unlike agencies, are subject to New York's lending limits, which may be a decisive consideration for small foreign banks. Branches, however, are not deemed to be separately capitalized and may rely on the capital of the foreign bank as a whole to determine compliance with such limits. This results in a very large lending limit compared with the "size" of the branch operation otherwise.

New York branches must meet reserve requirements and must have the same ratios of reserves against deposits as New York banks and trust companies. Like an agency, a New York branch is subject to the same reserve requirements as Federal Reserve member banks.

In addition, New York branches, like New York agencies, can establish IBF's. A New York branch is eligible for FDIC insurance, but is generally not required to be insured unless it solicits deposits from the general public and accepts initial deposits of less than $100,000 in an aggregate amount in excess of a level set by the FDIC.

The New York branch form of organization has been the vehicle of choice for foreign banks in New York in recent years, including such Spanish banks as Banco Hispano Americano, Banesto, Banco Bilbao Vizcaya, Banco Central, and Banco Santander as well as some 230 other foreign banks presently maintaining branches in New York.

FEDERAL AGENCY

The statutory criteria and regulatory constraints for formation and operation of a federal agency are similar to these for a New York agency. Unlike a New York agency, however, a federal agency may not exercise fiduciary powers or accept any type of deposits; it may, however, maintain credit balances (which are transaction deposits made in connection with credit and other permitted transactions).

A foreign bank planning to begin agency or branch operations in several different states may choose a federal license for all of its operations in order to deal with only one federal regulatory agency instead of several different state banking departments.

Like a New York agency, a federal agency is not required to obtain FDIC insurance, is subject to U.S. reserve requirements as described above and can establish an IBF.

The inability to accept deposits from non-U.S. citizen/non-U.S. resident depositors, however, together with legal lending limits under Federal law which impose a 15 percent of capital limit on unsecured loans to a single borrower, has reduced the attraction of a federal agency in comparison to a New York agency.

The responsiveness of the federal and state regulatory system in New York is continually reflected by the number of new entities established by foreign banks in the New York market each year, confirming New York's niche as the preeminent platform for banking business in the United States. Ω

CLYDE MICHELL *is a partner of the international law firm White & Case specializing in banking and financial law.* CLIFFORD HENDEL *is an associate of White & Case specializing in financial transactions. They received assistance on this article from associates Conrad Bahlke and Audrey Baker.*

[Corporate Briefs]

Spain Buys New Embassy

In November 1990, the government of Spain paid $20 million for a recently completed office building at 2375 Pennsylvania Avenue in Washington D.C. which will serve as its new embassy. According to The New York Times, the eight-story, 56,816-square-foot building was developed speculatively by a group of local investors headed by Richard S. Bennet Jr. which also included several Washington Redskin football players. The new embassy will house a 186-person staff by early 1991. Spain will keep its old embassy building on 16th Street, although its use has not been determined as yet.

New Chairman at INI

The Spanish government recently named Mr. Francisco Javier Salas Collante president of the big state industrial holding corporation, the Instituto Nacional de Industria (INI), the fifth man to hold the position since the Socialist Government came to power in 1982.

Mr. Salas has been with INI since 1973 and is said to have "few political inclinations."

G.M. Expands in Spain

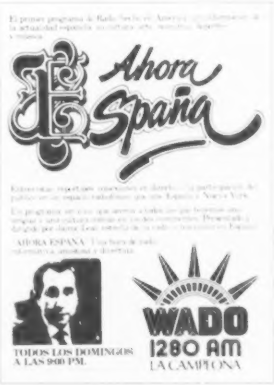
In November 1990, the General Motors Corporation's Hughes Aircraft subsidiary set up a company in Spain to supply the expanding commercial and industrial market for electronic components in Europe. According to The New York Times, the Hughes Microelectrónica Europa España S.A. will be built near Malaga and will employ 400 workers by 1994.

Car Sales Slump in Spain

1990 closed with an average 10% decline in car sales. In a survey of car makers conducted by the magazine Economia, industry leaders attributed the drop in sales to Spain's strict credit restrictions, a stiff value-added tax and soaring oil prices provoked by the Gulf crisis.

French Buy Stake in Spanish Sugar

Sucre Union and Générale Sucriere, French sugar producers, Tate & Lyle of the UK and E.D. & F. Man, the UK sugar brokerage have bought a 21% stake in Spain's second largest sugar manufacturer, Sociedad General Azucarera de España (SGAE). According to the Financial Times, Groupe Saint Louis, the French food group which owns Générale Sucriere, said a jointly owned company would hold the stake. SGAE has a European Community production quota of 230,000 tons.



"Ahora, España" On AM Radio

With the goal of covering the influence of Spain in the United States and the significance of the 500 years celebration of the discovery of America, a new radio program has begun entitled "Ahora España" on 1280 AM Radio WADO. Produced and presented by Mr. Jaime Leal, the program reports on news about Spain, Spanish events in New York, personalities, sports, music and talk-show segments. Ahora España broadcasts on Sunday nights at 9:00 pm.

Corporación Industrial de Banesto is Quoted

November 28, 1990 market the first day on the exchange for the holding company Corporación Industrial de Banesto, whose portfolio includes Banco Español de Credito. According to Cinqo Días, the Madrid Stock Exchange quoted 36.8 million shares that day at a value of 18.4 billion pesetas.

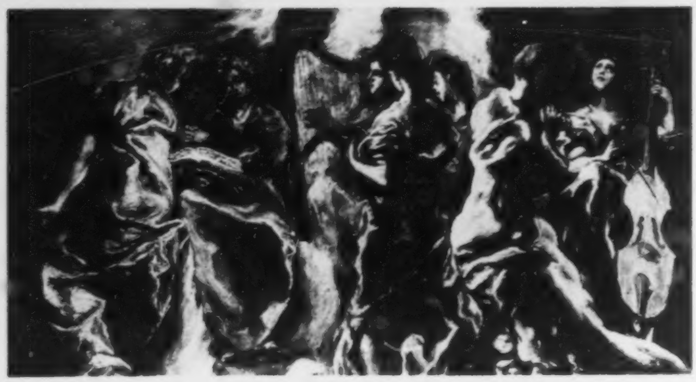
Cosmopolitan in Spain

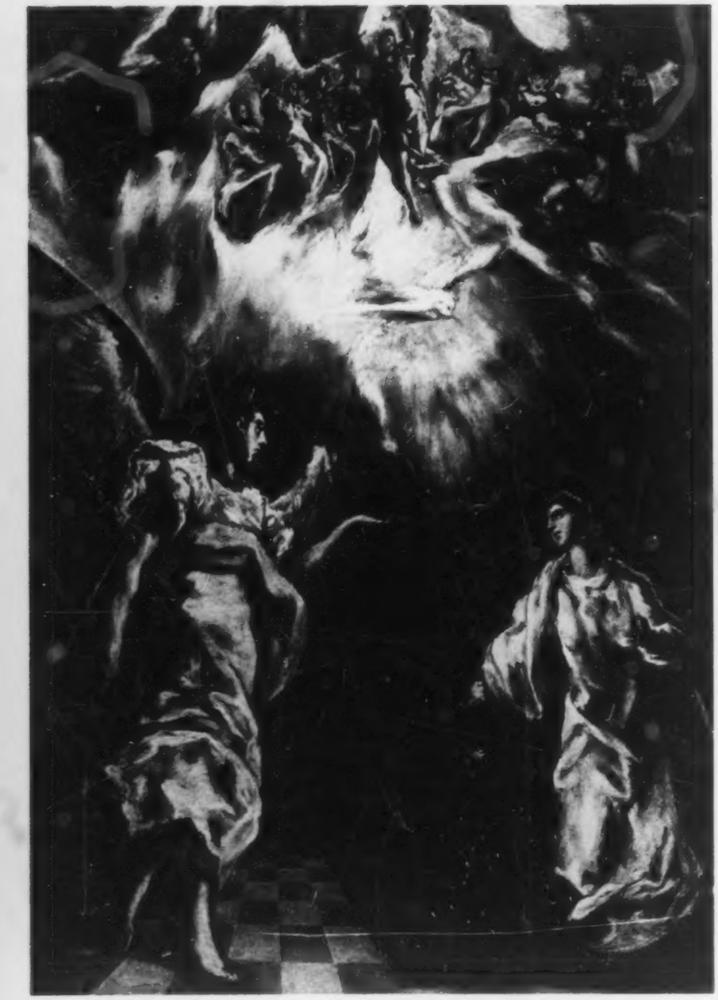
According to International Media, Hearst Magazines International and Grunner + Jahr jointly launched, on a 50:50 basis, Cosmopolitan magazine in Spain in October 1990. The two publishing groups began negotiating the launch in 1988.

Cosmo's target group is middle to upper class urban women aged 19 to 34, which is typical for the magazine worldwide. There are over two million women in Spain which are potential Cosmo readers, according to a Spanish research company. The magazine hopes to gain 500,00 readers within the first year of sales.

New VP at Santander de Negocios

Mr. Johannes S. Seefried, recently became the Banco Santander New York Branch Representative and Vice President at Banco Santander de Negocios, the wholly owned Madrid-based Merchant Banking subsidiary of the Santander Group. Over the past seven years, Mr. Seefried has worked in the banking and stockbrokerage industries in both the U.S.and Europe.





BANCO HISPANO AMERICANO GETS IT TOGETHER

These two paintings have an interesting history.

In fact, they are one.

El Greco's "The Annunciation" was cut in two in the 19th century.

The bottom part belongs to Banco Hispano Americano; the top part —"The Angels' Choir"— to the Athens National Museum.

We got the two sides together at an exhibition in Toledo, where El Greco painted it.

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Guinness PLC Makes the Biggest Foreign Investment in Spain

Guinness PLC of the UK has signed a $1 billion agreement to buy Spain's largest brewer, La Cruz del Campo S.A., in the biggest foreign investment ever made in Spain. According to the Wall Street Journal, the deal culminates nine months of negotiations and is expected to be finalized by January 1991. Cruzcampo, which owns a 28.4% stake of Stroh Brewery Co. USA, is a closely held company and registered a net profit in 1989 of 10.8 billion pesetas on a revenue of 44 billion pesetas. The acquisition comes at a time when beer consumption in Spain is rising at an annual rate of around 4% over the past decade.

Banesto Opens Credit Line for Investors in Art

Spain's Banco Español de Credito (Banesto) has set up a special line of credit to finance the purchase of paintings, sculptures and antiques. The credit line is the first of its kind in Spain and reflects a growing interest in art an investment. As cited by the Wall Street Journal, Mr. Fernando Falero, a manager for the bank, stated "the credit line was open-ended," but added that clients" would be charged interest of around 16%." Average bank loans in Spain average 15%.

Banco Hispano Americano Offers New Account

The international branch of Banco Hispano Americano recently launched the Hispano International Collection Account aimed at foreign exporters to Spain. The goal is to expedite the reimbursement of payments from the exports, to save unnecessary administrative delays and to assure value to exporters by efficient account management. The account pays annual interest for balances over 1 million pesetas which is not subject to withholding tax. It is recommended that the account be opened in Banco Hispano Americano's Madrid Office (tel. 341-577-8856).

Banco Hispano Americano & Dillon Read

The Spanish commercial bank, Banco Hispano AMericano, and Dillon, Read Ltd. of London, in association with the Rockefeller family investment arm, Rockefeller & Co. have decided to launch an industrial investment firm in Spain called Borealis. According to the Wall Street Journal, the company has an initial capital of six billion pesetas ($61.2 million), and will invest in quoted and non-quoted Spanish companies with a view to realizing capital gains over a three-to-five year period. Claudio Boada has recently been nominated as President of the new firm effective in January 1991.

French Buy into Spanish Construction

Renta Immobiliaria, the Spanish construction company controlled by financier Mr Giancarlo Parreti, will sell the majority stake to a group of French investors led by businessman Mr Jean-Rene Bickart for about $373 million. According to the Financial Times, under Spanish law, before selling Renta, its owners have to offer to buy back shares held by small investors.

Fiat Invests in Spanish Truck Maker

Iveco, the commercial vehicles subsidiary of Fiat of Italy has acquired majority control of Enasa, the heavily loss-making Spanish manufacturer of Pegasus trucks and buses. According to the Financial Times of London, the move further accelerates the restructuring of the western European truck industry. The agreement follows the collapse of an earlier deal where the Instituto Nacional de Industria (INI), the Spanish state holding company, was to sell 80% of Enasa to a West German consortium of MAN and Daimler-Benz. That deal was blocked by West German cartel authorities early in 1990.

Mato Returns to Spain

After six and a half years at Extebank in New York, Mr. Ramiro Mato has returned to the bank's parent company in Madrid, Banco Exterior de España. The bank has also opened a new agency in New York that will be headed by Mr. Luis Mendoza, previously General Manager of Banco Exterior in Los Angeles.

Lufthansa Sells Stake To Iberia

Spain's national airline Iberia was given the go-ahead by the Spanish government to acquire Lufthansa's 48% stake in the Spanish charter company Vuelos Internacionales de Vacaciones S.A. for $8.5 million. According to the Wall Street Journal, the deal raises Iberia's stake in the company to 96%.

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Congress Approves Funding for the U.S. Pavilion at "Expo '92"

It's green light and full speed ahead for the United States Pavilion at the Universal Exposition Seville 1992. When the appropriate Congressional committees agreed in late June to program funds for the project, the U.S. Information Agency immediately announced that the way had been cleared for U.S. participation in Expo '92.

Congress authorized $13 million in federal funds to construct the U.S. pavilion at Expo'92. According to an USIA spokesman, the remaining 68% of the cost will be financed by non-federal sources. This is a significant change from past fairs and expos," he says. "It is a partnership between the public and private sectors."

Thus far, 109 countries representing 90% of the world's population are slated to participate in Expo '92, breaking by far all records in the history of universal and international expositions and world fairs. In addition, multinational corporations and organizations and Spanish companies, institutions, regions, provinces and cities will take part in Expo '92.

Chosen over more than 100 submissions in a competition sponsored by the USIA, Barton Myers Associates, a Los Angeles-based architectural firm, was awarded the commission to create the United States Pavilion. According to Barton Myers, who leads an all-Californian creative team, the 70,000 square-foot multi-use pavilion ("the size of a standard American city block") will be pre-fabricated in the U.S., barged and shipped to Spain, and assembled there.

"The U.S. will occupy the largest site of any national pavilion after the Spanish buildings," Myers explained. "The Spanish have done an excellent job of planning Expo '92," he adds, "and it is a very urbane approach - boulevards, streets, plazas, gardens, fountains, etc. In fact, they have put height restrictions on the blocks, and we're right up to the maximum height. Our design approach is one of being minimal with elegance, rather than bombastic."

"Expo '92's theme is "The Age of Discovery," not only in the geographic sense but in all areas of human endeavor, past, present and future. In the words of a project director, it will by "a life experience . . . a catalyst exposing (40,000,000) visitors to 'the possible dream' with sensory bombardment and 3-dimensional impact."

The keynote of the U.S. Pavilion will be "Re-discover the USA. " Visitors will enter through a giant plane of water spilling into a moat. As Columbus crossed the Atlantic, visitors will cross this metaphoric "ocean" via a bridge, "traversing the waters to America.." Emphasis will be on trade and tourism and the diversity of the United States as a country. Each of fifty mist-cooled towers rising from within the Pavilion will represent a particular state.

In addition, every U.S. state and city is invited to exhibit individually within the pavilion. To date, letters of intent have been received from California, New York State and South Carolina, as well as from Kansas City, Seville's "Sister City," which boasts a replica of the Giralda Tower. NASA will feature "New Adventures on the Horizon " and the "manned mission to Mars." Other participants include the American Plywood Association (the first private-sector organization to sign up), Coca-Cola (sponsor of the VIP lounge), the Smithsonian Institution, and Kansas City-based U.S. Sprint. IBM (the official Expo '92 computer) will operate 70 touch-screen information kiosks located around the 538-acre Expo site.

As a result of the recent Congressional approval, additional U.S. Pavilion exhibitors and sponsors are expected to enlist before it's time for "last call" for participation in this record-breaking Expo. Ω

Barcelona 1992 Olympics Update: Have a Seat!

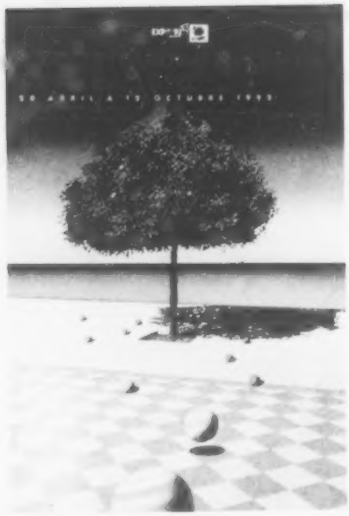
According to the Barcelona '92 Olympic Organizing Committee (COOB '92), the majority (68%) of tickets to Olympic Games events will cost under $20. The highest priced tickets, roughly $90, will be for the basketball finals.

In the United States, tickets for the general public will be sold exclusively through Olson Travel World, (800) US4-1992. While Olson offers Olympics tour packages which include entrance to events, ticket purchase is not contingent upon travel or hotel arrangements. Tickets are expected to go on sale in February 1991; the exact on-sale date will be announced as THE BUSINESS LINK goes to press.

DID YOU KNOW...

- 10,000 athletes from 167 countries will compete in 25 sports and 526 events in 44 venues during the 25th Olympiad in Barcelona, July 25-August 9, 1992.
- 5,850,000 tickets divided into 1,024 categories (seating, site, event/preliminary-semi-final-final) will be sold and distributed.
- Non-attending spectators will include an estimated 3.5 billion TV viewers around the world.
- The total budget is $1.27 billion, with a total projected revenue of $1.26 billion.
- Mascot Cobi is a cartoon character based on a Pyrenean sheep dog. Ω

> **Tickets to most events will be under $20, the high will be the basketball finals at about $90**



Over 70,000 Performances & Shows Scheduled for Expo '92.

During the 176 days of Seville's Expo '92, visitors will be able to attend over 70,000 performances and shows of a wide variety presented on the city's 21 stages (17 of them built especially for the Expo) plus other venues.

The new Teatro de la Maestranza will host the world's finest opera companies. The Cartuja Auditorium, built on the banks of the Guadalquivir, will present two original productions–an anthology of Andalusian zarzuela (Spanish Operetta) and a grand-scale musical comedy. Also scheduled are top name jazz concerts, recitals by vocal and instrumental groups and soloists and dance performances.

The Teatro de la Expo, with a moving stage, will be the first theater in Spain devoted exclusively to avant garde performing arts. It will feature modern and contemporary theater, music and dance; The Palenque entertainment center, in the middle of the Cartuja Island Expo site, will feature free shows and dancing to the music of orchestras at night and new young talent in all the performing arts during the day.

The classic and refurbished Teatro Lope de Vega will present traditional theater, including Peter Brook's "La Verbena de la Paloma" and Mauricio Scaparro's version of "El Quijote," featuring Joseph María Flotats.

Daily Els Comediats, a dancing musical theatrical carnivalesque group directed by Joan Font, will perform while parading through the streets. Audiences of 1500 will see 100 years of the world's best cinema on a giant open-air screen at movietown. In addition, they will be able to join in the live-action atmosphere, reliving milestone films on reproductions of their sets-such as one from "Casablanca," where drinks can be ordered at Rick's Bar. Play it again Sam! Ω

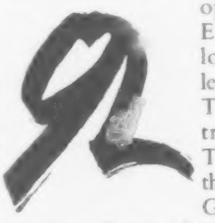
[17 stages—including one that moves—were built especially for Expo '92 in Sevilla]

The Star of 'Carmen', 'Don Juan', And 'The Barber of Seville' Will Now Have Its Own Home

After "starring" in over two dozen operas, Seville will have now its own opera house, the Teatro de la Maestranza.

Over two dozen operas feature Seville as their setting, including "Carmen," "Fidelio", "La Forza del Destino," "Le Nozze de Figaro," twelve versions of "Don Juan," two versions of "The Barber of Seville," three versions of "Wedding in the Monastery," the zarzuela "El Gato Montés," and then some.

Next year, after having been an opera celebrity for centuries, Seville will finally have its own opera house, the Teatro de la Maestranza, with the Spanish tenor Plácido Domingo as its operatic director.



"Seville stars or appears in some of the best works of Mozart, Rossini, Bizet, Verdi and Beethoven," comented Domingo in announcing the Maestranza's operatic program for Expo '92.

Launching Expo '92's April-October opera series at the Maestranza will be Bizet's quintessentially Sevillian "Carmen" in a production by London's Royal Opera, Covent Garden. (In addition, during August in the city's Plaza de España, there will be 18 open-air performances of "Carmen," some starring Domingo.) Also scheduled for the Maestranza's Expo '92 season are: "Don Giovanni" (Vienna Opera, Claudio Abbado, Director); "Il Barbiere de Siviglia" (Rossini Opera Festival de Pessaro); "Le Nozze di Figaro" and "La Forza del Destino" (Mayo Musical Florentino, Zubin Mehta, Diector); "La Traviata" (Scala de Milan, Riccardo Muti, Director); "Fidelio" and "La Fanciulla del West" (New York Metropolitan Opera, James Levine, Director); "El Gato Montés" (Teatro Lírico Nacional La Zarzuela); and "Der Fliegende Holländer" (Opera de Dresde-Dresden Semperoper).

According to an Expo '92 official, the 1800-seat Teatro de La Maestranza will boast acoustics and technology ranking it among the finest opera houses in Europe. It is located near the legendary Plaza de Toros la Maestranza and the Torre del Oro, on the city side of the Guadalquivir River (the Expo '92 site is on Cartuja Island). The theater's setting is quintessentially *sevillano*.

As a prelude to Expo '92, the Maestranza will open in May 1991 with an inaugural season featuring productions of "Rigoletto," "La Boheme," "Tosca," and the Spanish zarzuela "Doña Francisquita." It will be, as Plácido Domingo says, "training and rehearsal" of the acoustical characteristics of the theater, which will then close until its curtains rise for Expo '92. Ω

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Amb. Jaime de Ojeda, Ricardo Jové, Marvin Traub, and Amb. Miguel de Aldasoro at the gala.

Bloomingdale's Spanish Products Kick-off Gala

An estimated 750 people gathered at Bloomingdale's in New York City on September 12, 1990 for the gala which kicked-off the seven week promotion entitled, "Spain: Europe's Rising Star," in all 15 Bloomingdale's locations.

Distinguished gala guests included the Ambassador of Spain to the USA, H.E. Jaime de Ojeda, Counsel General Miguel de Aldasoro, The Countess of Romanones and Carolina Herrera. Many members of the Spain-USA Chamber of Commerce attended, including the President, Ricardo Jové, Alvaro Ureña of Iberia Airlines, Francisco Alcón of Banco Hispano-Americano, Maurice Cusack, former President of the Chamber, and Michael Domecq of Domecq Importers.

The evening began with cocktails and hors d'oeuvres served on various floors of the store where guests had the opportunity to view such exhibits as Gaudi-inspired colorful mosaics and wrought iron arches; an exhibit saluting Spain's premiere graphic designer, Mariscal; and a re-created Madrid by night in the "Paseo del Prado". Additional exhibits saluted the XXV Olympiad in Barcelona and the World's Fair in Seville. Replicas of the Nina, Pinta, and Santa Maria were displayed in the 59th Street windows to focus attention on the series of events to be held in Spain and America for the Quincentennial celebration. The seated dinner was catered by Remember Basil, and the menu included tapas and a traditional Spanish meal. Entertainment during the evening included classical guitar music by Manuel Gonzalez, traditional songs sung by La Tuna (strolling minstrels), and flamenco dance performed by Mercedes Moreno.

Spanish merchandise totalling $10 million was purchased by Bloomingdale's for the promotion. Everything was for sale. Entire model rooms, inspired by distinct styles of Spanish architecture and decorated with elements of Spanish design, could have been purchased. The variety and selection of products was extensive. Merchandise included products as varied as wrought-iron benches and ceramic apothecary jars, bejeweled scarfs and leather outwear, designer dresses and silk ties, and carved alabaster desk accessories and perfume.

According to Marvin S. Traub, Chairman of Bloomingdale's, the promotion "captured the allure and essence of modern day Spain, showcasing the best it has to offer." He pointed out that in 1987 Bloomingdale's featured Spain as part of the "Mediterranean Odyssey" six country promotion. This time, for seven weeks the fashion, art, design, and even history and culture of Spain alone were presented.

An estimated 20 million people visited the 15 Bloomingdale's stores during the seven week promotion.

EUROPE'S RISING STAR

spain

Domecq at Bloomingdale's

As part of its "Spain: Europe's Rising Star" celebration, Bloomingdale's selected Domecq to be the sole purveyor of wines and brandies. Not only were sherries from Jerez, Lembey sparkling wines from the Penedes, Marques de Arienzo Rioja table wines and brandies including Carlos I served at the kick-off gala and press reception, but they were featured for seven weeks with tapas in all the store's restaurants.

The gala and press reception were covered by THE BUSINESS LINK, and attended by many Spain-USA Chamber of Commerce members including the host of the press reception, Michael Domecq, who established the first Domecq company in the United States in 1981.

To the delight of the guests, Domecq's Venenciador, Mr. José Morales, dipped his *venencia* (a two-and-a half-foot rod with a cup at the bottom) into a cask of sherry with his right hand and then arched it gracefully through six feet of air and into eight copitas (traditional sherry glasses) that he held in his left hand. He did not waste a drop. For over 18 years Mr. Morales has been perfecting the venenciador art.

As Domecq is rich in history, appropriately the company represented Spain at the Bloomingdale's Spanish product promotion. Founded in 1730 in Jerez, Andalucía (southern Spain) by Patrick Murphy, an Irishman, the House of Domecq was developed by Pierre Domecq Lembeye, a French aristocrat who decided to stay in Spain, change his name to Pedro, and take over the company that still bears his name.

Today the company produces a complete line of sherries, brandies, Rioja and sparkling wines which are exported to more than 102 countries, the principle markets being the USA, Great Britain, Holland, Italy, Germany, Mexico, Brazil, and Columbia. The company remains family owned and operated, as Michael Domecq is the son of Pedro Domecq, the seventh generation descendent of the first Pedro Domecq.

Michael Domecq looks on as Jose Morales delights the guests of the Domecq Press Reception skillfully pouring sherry with his venencia.

World Summit for Children Brings World Leaders to NY

Felipe Gonzalez, the Prime Minister of Spain, and George Bush, the President of the United States, together with 70 other Heads of State or Government and 86 state observers, attended the World Summit for Children, held in New York City at the United Nations Headquarters on Sunday, September 30, 1990.

The aim of the Summit, the largest gathering of world leaders ever held, was to stimulate new initiatives in the international community to address the issues that most critically affect children. The presence of the leaders symbolized their personal commitment at the highest political level to improve the state of children around the world - a condition which currently results in 40,000 deaths daily of children under the age of five.

The Summit adopted by consensus a declaration on the survival, protection and development of children and a plan of action for implementing the declaration.

Taking advantage of the opportunity offered by the gathering of over 70 Heads of State in New York City for the World Summit for Children the weekend of September 28-30, 1990, Prime Minister Felipe Gonzalez met with many government leaders.

Directly following the Summit's close, Prime Minister Gonzalez met privately with George Bush, President of the USA, in a suite of the Waldorf-Astoria to discuss matters of interest and concern between their two countries. They spoke extensively about the relationship between the USA and Spain, focusing particularly on their cooperation in alleviating the aggression in the Persian Gulf and in restoring peace to that area.

Over the course of the weekend, Prime Minister Gonzalez had meetings with other Heads of State, primarily from Latin America, who attended the Summit. These government leaders included the following: Violeta Barrios de Chamorro, President of Nicaragua; Fernando Collar de Mello, President of Brazil; Patricio Aylwin, President of Chile; Carlos Andres Perez, President of Venezuela; Carlos Saul Menem, President of Argentina; and Guilio Andreotti, Prime Minister of Italy.

The World Summit for Children was not only historic because it brought together the largest gathering of Heads of State in history, but also because it accredited the largest number of press ever to cover an event. The Spain-USA Chamber of Commerce is proud that staff from THE BUSINESS LINK were accredited and as members of the press participated in this unprecedented Summit, which will appear for these two reasons in the *Guinness Book of World's Records*.

George Bush, President of the United States, and Felipe Gonzalez, Prime Minister of Spain meet after the close of the World Summit.

SMAGUA' 91 Will be Held in Zaragoza February 13-27, 1991.

The 9th edition of the International Water Show, SMAGUA '91 will take place in the Zaragoza Trade Shows Exhibition Center (Zaragoza, Spain) February 13-17, 1991.

The development of this sector, the importance of the world water problems and the possible technical solutions to these problems, will be presented at the Zaragoza show. For all of these reasons SMAGUA '91 will be attended by high profile companies in the sector.

All the booths in the three large pavilions destined for the show already are reserved, clearly indicating the importance companies in this field give this February event.

SMAGUA has managed in very few editions to place itself at the head of its specialty in Europe, and has raised the interest of industrialists, technicians and researchers at a time when the environment and quality-of-life issues figure in as a top priority in the world's political programs.

This international trade show is organized to offer a wide selection of equipment and materials for ground water training, water treatment and water distribution.

The sectors to be represented will include the following:

- Prospecting of Water
- Lines of transpotation and Storage
- Water Treatment and Purification
- Swimming Pools
- Other Equipment
- Engineering Technical Publications

Several American companies will exhibit at SMAGUA '91, joining over 325 foreign and 252 Spanish exhibitors which presented their products in the 1989 edition of the show. The 1991 show attendance is expected to surpass the 1989 figure of 25,000.

Important technical publications such as *Water Well Journal*, *Water Monitoring Review*, *Pool & Spa News*, *Water Works Association Journal* will be presented in Zaragoza for this important show.

A travel group has been organized in New York through Spanish Heritage Tours to attend SMAGUA '91. Ω

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IFEMA, Madrid Trade Fair Organization, Expanding

Now in its 10th year of remarkable growth, the Madrid Trade Fair Organization (IFEMA) is expanding both domestically and internationally. It presents more than 40 major trade shows each year - attendance in 1989 was over a half million exhibitors, distributors, and customers from 120 countries.

IFEMA has opened offices in New York and Miami with a view to enhance trade between U.S. and Spanish companies, coordinate trade show exhibit space, and provide U.S. exhibitors and visitors with information, assistance, and contacts in Madrid, as well as travel arrangements (in conjunction with Hispanidad Holidays).

The organization operates representative offices within the European Economic Community and Latin America, and plans to open an office in Japan. Also it coordinates through Spanish chambers of commerce abroad. In early 1991, IFEMA will relocate its facilities from Madrid's Casa de Campo to the new Ferial de Madrid fairgrounds, with over one million square feet of indoor exhibit space and 323,000 square feet outdoors, eight state-of -the -art pavilions and parking for over 14,000 vehicles.

Ferial de Madrid is a segment of the new Campo de las Naciones complex. A city-within-a-city, it comprises convention, exposition, business, sports, recreation and shopping centers, fair grounds, parks, hotels, restaurants, etc., all less than two miles from Madrid's Barajas International Airport.

IFEMAS's trade fairs cover such areas as computers, engineering, art and antiques, handicrafts, graphics, travel, sports, textiles, fashion, footwear, fur and leather, jewelry, cosmetics, electronics, energy, optics, medical/dental, pharmaceutical, home and consumer goods, musical instruments, publications, teaching materials, interior design, gifts, etc.

Two '91 shows are: FITUR (International Tourism Trade Fair), January 23-27; and Arco (International Contemporary Art Fair), February 7-12.

For information contact : IFEMA; 350 Fifth Ave; Suite 3514, New York, NY 10118; tel: (212)694-1618; or IFEMA; Gables International Plaza; 2655 Le Jeune Road, Suite 1008; Coral Gables, FL 33134; tel: (305) 444-9500.

Events Around Town

Antonio Canalas and Juana Amaya of the Cumbre Flamenca dance troupe from Spain in a performance at the Joyce Theater.

CUMBRE FLAMENCA "EL BAILE"—THE JOYCE THEATER FROM 9/25-10/8

These were electrifying performances by some of Spain's most accomplished and spontaneous flamenco dancers including Chistobol Reyes, Juana Amaya, and La Chana, whose machine-gun footwork proved to be the highlight of the show. *Duende* abounded.

RECITAL OF ALFREDO KRAUS—CARNEGIE HALL, 10/7

The world-famous tenor gave a compelling performance of arias, zarzuela selections, and songs to the piano accompaniment of José Tordesillas. He delighted the crowd (which stood and fervently stomped its feet at the recital's end) with four encores.

FOLKLORE GROUP "AIRES DE ARAGON"—DANCES ON FIFTH AVENUE, 11/14

This group from the pueblo Ejea de los Caballeros of the Aragón region of Spain, sang, danced and played the castanets on its way down Fifth Avenue as part of a Columbus Day parade. Group members handed out *cachirulis*, the typical scarf of Aragon, to an enthusiastic crowd. Later they danced at the Circulo Español in Astoria. A surprise performance by the Tuna of Madrid topped off the evening.

MUSIC FROM THE AGE OF CHRISTOPHER COLUMBUS—GRUPO DE CAMARA DE COMPOSTELA, THE METROPOLITAN MUSEUM OF ART, 11/15

In front of the *reja* from the cathedral of Valladolid and amongst medieval statutes and tapestries, this group from Santiago de Compostela (Galicia) performed music of the route of St. James and the Cántigas de Santa María, as well as music from the age of Columbus, the Cancionero de la Colombina, and the Cancionero de Palacio. Medieval instruments that the group played included hurdy-gurdies, the organistrum, and the guitarra morisca.

JUDEO-SPANISH & MEDIEVAL MUSIC CONCERT BY "ALLA MVSICA", SPANISH-PORTUGUESE SYNAGOGUE, 11/7

The group performed songs from places as varied as Tetuán, Smyrna, Turkey, Salónica, and Bulgaria on such instruments that were played by the Sephardim as the Kemany (spike fiddle), the kanun (zither), derbukas (drums), and sonajas (tumbrels). Sephardic music maintains much of the language and texts of Hispanic origin. At the same time, the music has adopted elements from cultures outside Spain, enriching texts that originated in the Iberian peninsula. Ω

La Cocina Cantábrica is a Taste of the Real Spain

Chef Larumbe adds new twists to ancient fishermen recipes from Cantabria, Spain's northern province

BY GERRY DAWES

The people of Cantabria, the sparsely populated province along Spain's beautiful green northern coast, la Costa Verde, are quintessentially Spanish, since their isolated region was spared most of the invasions that so influenced the culture of the rest of Spain over the centuries. The Romans barely grazed them, and later, the Moors left them alone behind the snow-capped peaks of their formidable Picos de Europa mountains as they raced on to France and defeat at Poitiers. And for centuries, too, the simple fisherman-and-farmer cuisines of this region felt little outside influence except from their eastern neighbors, the Basques, and their western neighbors, the Asturians and Galicians, of whose cuisines the Cantabrian kitchen wafted aromas that were a dialect not a distinct culinary language.

Today, *cocina cantábrica*, now being promoted as a distinct regional cuisine, is primarily concentrated in the hands of a team of chefs nurtured by the late Victor Merino of Santander, the capital of Cantabria, and currently headed by Pedro Larumbe of Cabo Mayor restaurant in Madrid. In 1984 Mr. Larumbe won the most prestigious culinary prize in Spain, the Premio Nacional de Gastronomía, as best chef in the country.

Mr. Larumbe was born in Lerin, near the old Carlist stronghold of Estella in Navarra, the northern provence that borders France and has produced some of Spain's best chefs.

In addition to five other restaurants Larumbe helps to oversee, Cabo Mayor, which is located in the Chamartin section of Madrid, is considered by Gourmetour's Guia BMW to be one of the city's top five restaurants. Larumbe recently opened a Cabo Mayor in chic Sotogrande (Cádiz) and, with Saito, (a Japanese chef) another in Osaka, Japan.

Chef Larumbe is famous for his seafood dishes primarily, and for his creativity, light touch, and willingness to experiment, at times giving a new twist to ancient fishermen recipes from Cantabria. Some samplings from Larumbe's past menus at Cabo Mayor include *ensalada de salmón fresco con ostras* (a salad of fresh salmon with oysters), *ensalada de otoño con trufas y setas* (autumn salad with truffles and mushrooms), *chipirones a la plancha con vinagre de trufa* (grilled squid with truffle vinegar), *bogavante a la mantequilla de Jerez* (lobster with sherry butter; he sometimes uses Domecq's Sibarita palo cortado sherry), *confit de pato con cereza* (duck confit with cherries), *merluza frita en salsa verde al azafrán* (hake in green sauce with saffron), and a pigeon fricassee with almonds.

> Today Cocina Cantábrica is being promoted in Spain as a distinct regional cuisine

Cabo Mayor restaurant is named after the cape at the end of the spit of land that cradles the harbor of Santander, one of northern Spain's major fishing ports along the Cantabrian coast.

It was founded by the legendary late Victor Merino, Pedro Larumbe's father-in-law, who himself won the National Gastronomy Prize in 1979. Mr. Merino, a native of Rioja, the renowned wine district, opened reputedly the best restaurant in Cantabria, El Molino, in Puente Arce (7 miles outside of Santander) in an old tide-driven mill house that he renovated. It had its ups and downs during a period of radical experimentation with *cocina nueva,* nouvelle cuisine. Over the years, however, El Molino earned a reputation as the most imaginative restaurant in Cantabria--and Saito even formed part of the team there. It became known as *La cuna de la cocina Cantábrica*, the birthplace of Cantabrian cuisine. It is the new Cantabrian cuisine, of which Larumbe and his team are practically the only practitioners.

Victor Merino also opened La Sardina, a restaurant decorated like the inside of an old fishing boat, and known for its *cocina marinera* featuring recipes recovered from old fishermen, the cuisine of Cantabria's maritime ancestors. La Sardina, with its *viveros*, or tanks holding live fish and shellfish, also is known for the light hand of Antonio Merino, with his own original sauces. Some dishes from past menus include lobster salad with shrimp and prawns; brandade of bonito; thyme-flavored rock fish stew with black olives; and a stew of potatoes with flying squid.

As for wines, you can also try a Navarra rosado from Lerin, Pedro Larumbe's hometown. In all of the Merino-Larumbe restaurants you will not find a Cantabrian wine to go with the new Cantabrian cuisine from this beautiful, but often very rainy and, thus nearly wineless, green coast.

GERRY DAWES *is one of the authors of The Penguin Guide to Spain 1991. He regularly escorts wine and food tours to Spain. Mr. Dawes lectures on Spain, most recently at the Smithsonian Institution, and speaks frequently at wine tastings/dinners. He resides in Suffern, N.Y., and his business phone is (914) 357-6093.*

JANUARY
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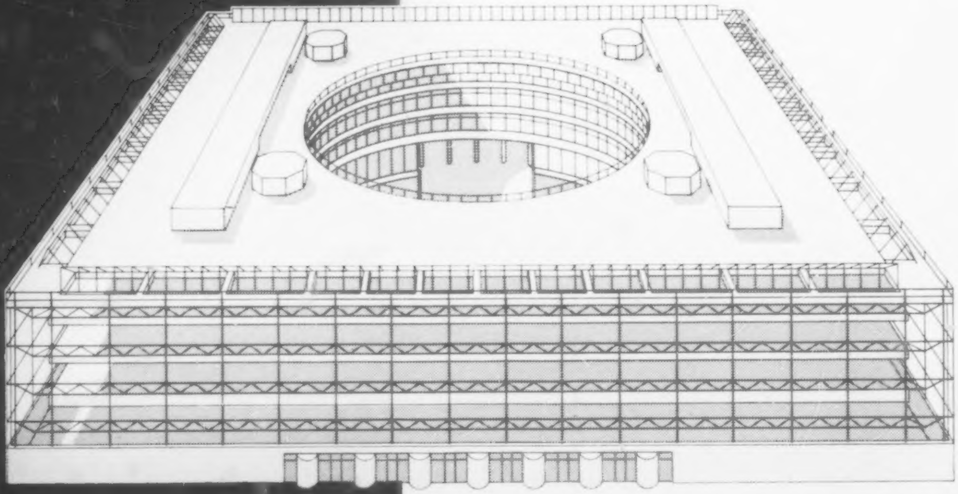
. ITS FAIRS



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Bold Spanish Artists Show Their Work in New York

At topnotch New York City art galleries, recent exhibits featuring Spanish painters and architects highlight the diversity and complexity in contemporary Spanish artistic styles

Exhibits of such Spanish masters as Velázquez, Goya, and Picasso in New York City museums are widely acclaimed and attended by the public. However, less known and more infrequently visited are the numerous exhibits of respected Spanish artists of today in many New York art galleries. Unlike in a museum, not only can the works of these artists be admired, but also purchased. Private collectors from all over the world increasingly are investing in the works of Spanish artists, both those who have been painting for 50 years and are established, and those who are young and up-and-coming. At gallery openings well-seasoned art investors and amateur art enthusiasts alike have the opportunity to speak with the artists about their works.

In this issue THE BUSINESS LINK features Spanish artists who were among those whose works were exhibited in New York art galleries last fall.

HERNANDEZ PIJUAN
Joan Prats Editions.

The recent paintings and drawings of the acclaimed artist Hernández Pijuan were exhibited at Joan Prats Editions. Mr. Pijuan, who resides in Barcelona, came to New York for the gallery opening and presentation of the book *Joan Hernández Pijuan, Drawings, 1989-1990.*

Already a celebrated artist in Spain, Mr. Pijuan, who has been painting for 40 years, increasingly is becoming known internationally. His works have been exhibited in many European countries and in Japan, as well as in cities across the USA. Mr. Pijuan told THE BUSINESS LINK that gradually in the way that drops of water slowly fill up a glass, his reputation has been building steadily and his works gaining popularity. However, since as he says, what is in style always goes out of style, he seeks to maintain his own independence as an artist, free of the latest art trends and hype. His works tend to have a Mediterranean flavor. They tend to recreate memories of landscapes, places and spaces. Images of single houses evoke a sensation of isolation.

CIRILO MARTINEZ NOVILLO
LLadró Art Gallery of Contemporary Spanish Art.

Cirilo Martínez Novillo the prominent Spanish landscape painter belonging to the group of artists known as the Madrid School, was featured at the LLadró Art Gallery of Contemporary Spanish Art.

Since 1946 or the age of 25, Mr. Martínez Novillo has exhibited his work regularly in Spain. His paintings reflect his interpretation of the Spanish landscape with bold colors and spatial distance that suggest remoteness and solitude while also providing a fresh sense of seeing a landscape's most vital and essential elements. Mr. Martínez Novillo has lived for various periods in Paris, on several occasions with grants from the French government and Madrid's Juan March Foundation.

Mr. Martínez Novillo's work is in numerous private collections in Spain, the USA, France, and Argentina, as well as in the Museums of Contemporary Art in Madrid, Bilbao, and Oviedo.

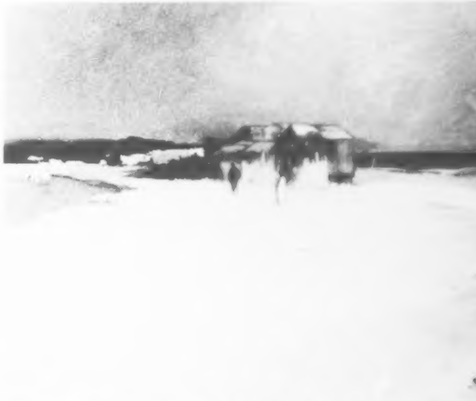
NURI TAUB
The Handcraft Gallery

Her paintings form part of private collections in Spain, France and Israel, and have been exhibited in the USA, including in New York at the Monserrat Gallery, Fashion Institute of Technology, and at the Art Student's League. This past fall twenty three of Nuri Taub's modernist paintings were exhibited at The Handcraft Gallery.

After having had a traditional training of art history, studying the old masters, and analyzing the "ciaro/obscuro" of Rembrandt and voluptuousness of Rubens, Ms. Taub broke the rules she had learned.

No more background, middle ground and foreground, no more shadows. Her paintings exude humor and freedom, as they seem to be a joyous and harmonious combination of color, shape, and composition.

The discipline of the basics-color, form, line, rhythm-are all uniquely reflected in her work,expressing happiness and harmony.



Beach in Evening Light by Cirilo Martinez Novillo.

LOLA PLANELLS

The Handcraft Gallery

During the summer at The Handcraft Gallery, several dozen oil on canvas paintings of Lola Planells were exhibited, her second solo show in New York City. Born and educated in Valencia, Ms. Planells has lived and exhibited her works in Paris, and for seven years has been residing and working in New York.

The "urban landscape," more specifically "the subway," are themes Ms. Planells has been developing in her paintings. Rather than represented realistically, they are depicted symbolically, creatively. Each reflect the search and continuous fight of every human being, whether conscious or unconscious, to find a sublime reality.

One of Ms. Planells works was selected by The United Nation's Biblioteca de Obras en Español to be used on their season's greeting cards.

VICTOR MIRA

The Dorsky Gallery

Victor Mira, a native of Zaragoza and one of Spain's foremost contemporary artist has gained recognition internationally in recent years with exhibitions in Europe, the Americas, and Japan for his paintings and sculptures. The Dorsky Gallery exhibit this fall focused on the "Estilita," a "character" that personifies isolation and reflection. The Estilita has become a key element in Mr. Mira's personal ichnography and appears in much of his work of the past five years.

Mr. Mira's works were introduced in New York in 1989 by The Dorsky Gallery in a show entitled "You can't sleep in Spain." This fall the gallery featured works, which touched on the many formats this artist exploits, ranging from small pencil drawings to monumental canvases.

FERRAN GARCIA SEVILLA

Galerie Lelong

The latest paintings of the Mallorcan born and Barcelona based artist Ferran García Sevilla were exhibited at The Galerie Lelong. He was included in the exhibition "5 Spanish Artists" at Artists Space in 1985, and this was his first solo show in New York. Mr. Garcia Sevilla's works have been exhibited widely in Europe.

The paintings and works on paper in the exhibit entitled "Sama" and "Mina," continued to develop García Sevilla's interest in linguistics and in open systems of interpretations. Simultaneously spare in appearance but complex in layered meaning and symbols, such as arrows, animals, and hands, are derived from non-Western sources: totems, mantras, cave paintings. Hindu philosophy and religion have continued to be an influence in Mr. Garcia's paintings.

ANTONI MUNTADAS

Kent Fine Art

This fall, Kent Fine Art presented "STADIUM V," an installation by Antoni Muntadas using video, slides, photography and architecture. From the first Greek and Roman arenas to the ubiquitous contemporary stadium housing musical and sporting events, Mr. Muntadas feels that control has been exercised in the guise of entertainment.

In this installation, Mr. Muntadas elicited the cultural and political implications of the stadium and continued his critical analysis of archetypes.

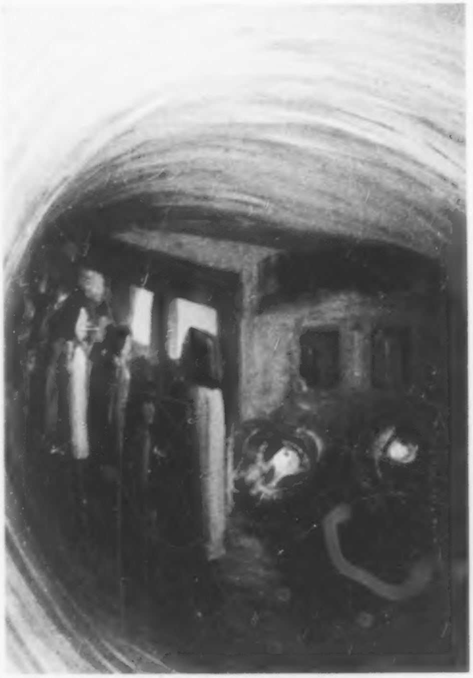
STADIUM was conceived as a project to be reconstructed wherever it is exhibited; the basic concept remains the same, but varies in relation to the space and context in which it is shown. It has been seen in several galleries in Canada and England. Mr. Muntadas was born in Barcelona and has been based in New York since 1971.

GERARDO DELGADO

Farideh Cadot Gallery

The first solo exhibition in New York City of the works of Gerardo Delgado was presented by the Farideh Cadot Gallery. Mr. Delgado, who resides in Sevilla and is an architecture professor at the university there, has entitled this collection of his works "El Caminante," or "The Walker/Traveller."

A foot of various sizes, represented in an abstract way and alluding to the act of walking, is a motif in all of his works, done primarily in shades of grey. Within the feet there is often a glimpse of a stormy landscape or a frozen river at night.



A Lola Planells painting illustrating her subway motif.

Other of Mr. Delgado's works together with the works of seven other Spanish artists will be exhibited over the period of two years throughout the United States. This exhibition is entitled "Imagenes Liricas/New Spanish Vision."

CONTEMPORARY CATALONIAN ARTISTS

Fernando Alcolea Gallery

The Fernando Alcolea Gallery presented a program featuring the following contemporary Catalonian artists: Vicenc Viaplana, Begoña Egurbide, Ramón Roig, and Alfonso Sánchez-Rubio.

Ramón Roig's works clearly reveal that his fundamental preoccupations operate as much in the formal plane as in that of contents and ideologies. The attention to material, play of light, and depth in the works of Begoña Egurbide, attest to her interest in revitalizing painting as a distinct mode of expression. The works of Alfonso Sánchez Rubio question the very essence of painting as an "exploration in illusionism." Vicenc Viaplana defines his most recent paintings as "mental landscapes," in which he shies away from the decorative to create a painting to unnerve the viewer. Ω

Imagen de Marca De los Paises(IMP)

Para elaborar una IMP hay que enfocar el producto del pais

Por Josep-Francesc Valls

Una serie de fenómenos se han dado cita en los últimos años que han obligado a los teóricos de la comunicación a trabajar con ardor en el desarrollo de todo lo referente a comunicar la imagen de marca de los países.

Entre los más destacados podemos mencionar la internacionalización de la economía; la audiovisualización y transnacionalización de las imágenes y el sonido. Otro gran fenómeno es el nuevo papel de las administraciones públicas en la promoción de la economía. Por último pero no menos importante se encuentra la proliferación casi ad infinitum del número de productos en los mercados mundiales.

Estos factores exigen la erección de nuevos emisores sociales, capaces de identificar la oferta propia. De otra forma, la infinidad de productos, de servicios, de ideas, de instituciones, se pierden en la jungla comunicativa, no dejan constancia de su existencia y sus imágenes se fijan, por tanto, en las mentes de los consumidores. A través de la gestión adecuada de su imagen de marca, los países - sus productos, sus servicios, sus empresas y corporaciones, su turismo, su moda, su tecnología, su creatividad, su mano de obra, su suelo, sus infraestructuras, sus sensibilidades precisas.... - adquieren un sello, capaz de identificar mejor su oferta completa ante los públicos mundiales reales y potenciales. Junto a los atributos parciales que posee todo producto, servicio o idea - identificados bajo la imagen de marca de producto - y los añadidos de la empresa o institución que los genera, la IMP le va a servir a todo lo que se cobija bajo su paraguas de soporte comunicativo como tabla adicional ante los consumidores.

> [La infinidad de productos y de servicios se pierdan en la jungla comunicativa]

La gestión de una IMP potente, organizada y auto adherida por los ciudadanos, exige un esfuerzo conjunto entre las administraciones públicas, las empresas y corporaciones privadas y las instituciones y asociaciones. El desarrollo de esta imagen del país obliga al uso de una serie de instrumentos comunicativos perfectamente organizados, según la fase en la que esté situada esta IMP y según las estrategias y objetivos que en cada momento se tracen.

Estos instrumentos comunicativos son los siguientes: la identidad Corporativa, la Publicidad, el Sponsoring , las Relaciones Públicas y la Relación con los medios de comunicación.

No es lo mismo la labor que un país realice en favor de su imagen y la imagen que perciban los públicos reales y potenciales. El éxito y la evaluación constante de la primera consistirá en que efectivamente sea percibida tal cual se emite para los consumidores.

La imagen de marca de país es, pues, en su sentido estricto, la percepción que anida en los consumidores de lo que un país aparenta o es. Esta percepción que los consumidores poseen de lo que se figuran que es un país y sus elementos es equivalente al producto del país, es decir a los productos, los servicios, las sensibilidades, las atracciones turísticas, las atracciones para la inversión, la creatividad, la moda, la tecnología... en fin todos aquellos imputs de la personalidad del país, más la PAC, es decir, la Política de Acción Comunicativa.

Para elaborar adecuadamente una IMP hay que enfocar las realidades y potencialidades del producto del país, estableciendo paralelamente las líneas básicas de la PAC. Si un país pretende, por ejemplo, ampliar la presencia de sus productos en Estados Unidos tiene, primero, que enfocar cuáles de sus productos tienen cabida en el mercado americano, tanto por posicionamiento, o por precio, como por la personalidad de esos consumidores. Conocida la capacidad de penetrar un mercado, habra que establecer, a la par, una acción comunicativa conducente a persuadir a los norteamericanos, frente a sus propios prejuicios o estereotipos, creencias o sentimientos a favor del consumo de producto del país.

Habrá que distinguir tres fases, es decir tres posiciones de una Imagen de Marca de País: la fase inicial, que corresponde a la primera elaboración científica de la IMP; la segunda fase es la de mantenimiento, que consiste en establecer un estado de comunicación permanente que le permita al país estar presente e incrementar el dominio de su IMP ante un target universal; y la fase de optimización, es decir, la estandarización del imaginarlo propio a escala internacional, el control de las fuentes de información, del espectáculo, de los códigos culturales y comunicaciones, de los "fashion movers" (los líderes de las modas), que le permitirán al país servir de soporte con su IMP a cualquier bien, servicio o idea producido en su seno.

En todas las fases, se actuará de forma preventiva, valorando siempre los riesgos coyunturales o situacionales ante los que se enfrenta toda imagen que se fija en la mente de los consumidores: desde el momento en que se concibe y diseña hasta el instante en que es percibida, y al final, se convierte en conducta. Igualmente, uno de los objetivos fundamentales de la PAC se encamina a la mobilización y la adhesión de los ciudadanos del país hacia la propia IMP; sin ella, se generan unas disfunciones comunicativas que coartan, en algún momento del proceso, la buena gestión de la IMP. Ω

Josep-Francesc Valls *es doctor en Comunicación, profesor de Comunicación de ESADE y periodista.*

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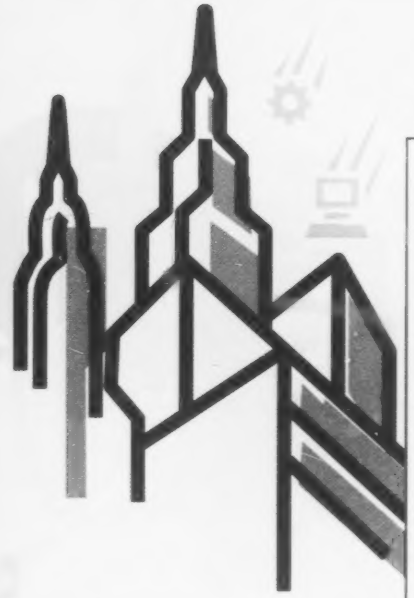
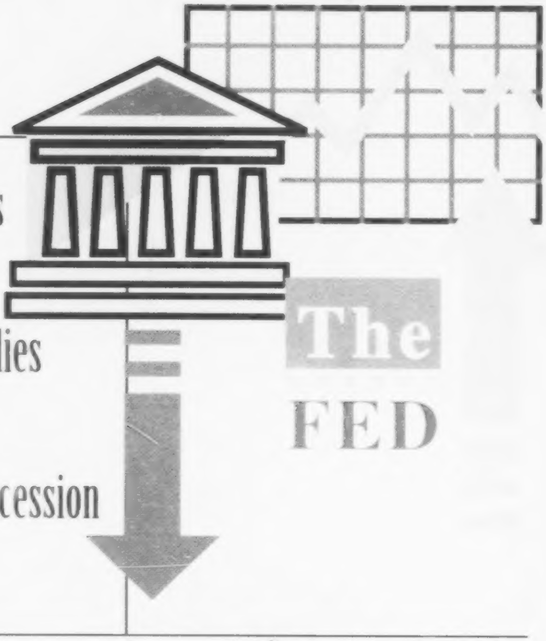


El Estado de Nueva York: Oportunidades más allá de los Rascacielos

Causes and Remedies of the U.S. Recession



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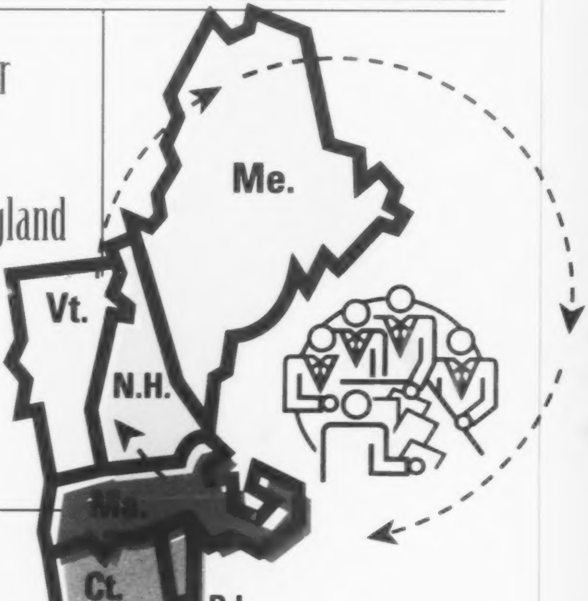

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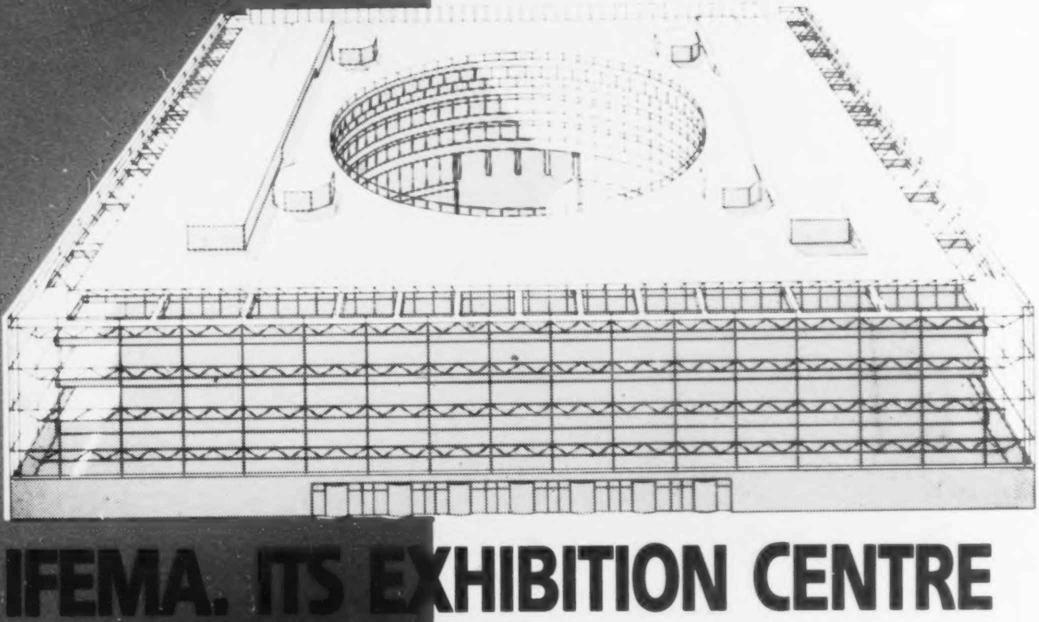
	11/17	[illegible]
	23/27	FITUR
	30/4	[illegible]
FEBRUARY	8/12	ARCO
		[illegible] Madrid
	INTERNATIONAL FASHION WEEK	
	19/24	[illegible]
	21/24	Iberpielmoda
	21/24	Intermoda
MARCH	[illegible]	CLIMATIZACION
	16/24	[illegible]
	16/24	SALON INTERNACIONAL DEL MAQUILLAJE
	19/22	[illegible]
APRIL	3/6	[illegible]
	5/8	EXPOCALZADO
	13/17	[illegible]
	17/21	[illegible]
	25/28	EXPO/OPTICA
MAY	MADRID INDUSTRY AND TECHNOLOGY WEEK	
	6/10	Tecnia
	6/10	[illegible]
	6/11	Telecom [illegible]
	6/11	Broadcast
	6/11	Tecnova
	24/28	LINEAL
JUNE	26/29	LIBER



IFEMA. ITS EXHIBITION CENTRE

SEPTEMBER	5/8	[illegible]
	INTERNATIONAL FASHION WEEK	
	19/22	Iberpielmoda
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In This Issue:

[Reportaje Especial 01] This quarter's special report focuses on the State of New York as a source of unique business opportunities for Spanish investors and exporters. With a strong industrial base and one of the most diversified export mixes in the United States, New York's dynamic economy offers Spain an important trade and manufacturing beachhead in the largest western consumer market.

[U.S. Business 17] An analysis of the current service sector-driven recession is our feature in "U.S. Business." From a macroeconomic perspective, the article highlights the commercial real estate crash, loss in consumer confidence and the slowdown in bank lending as critical factors leading to the downturn.

[Spain Survey 25] "Spain Survey" provides a financial analysis of one of the most up-and-coming companies in the toll highway industry. Consisting of a core group of firms with concession rights to routes throughout Spain, the industry has registered unprecedented revenue growth.

[Fax Poll 36] To better serve Link readers, we are pleased to introduce our "Fax Poll" as a new section of the magazine that aims to open a direct channel of communication between the Chamber and the Spain-USA business community. We encourage everybody to "fax us your answers."

—ALEXANDER ROBARTS
Editor-in-Chief

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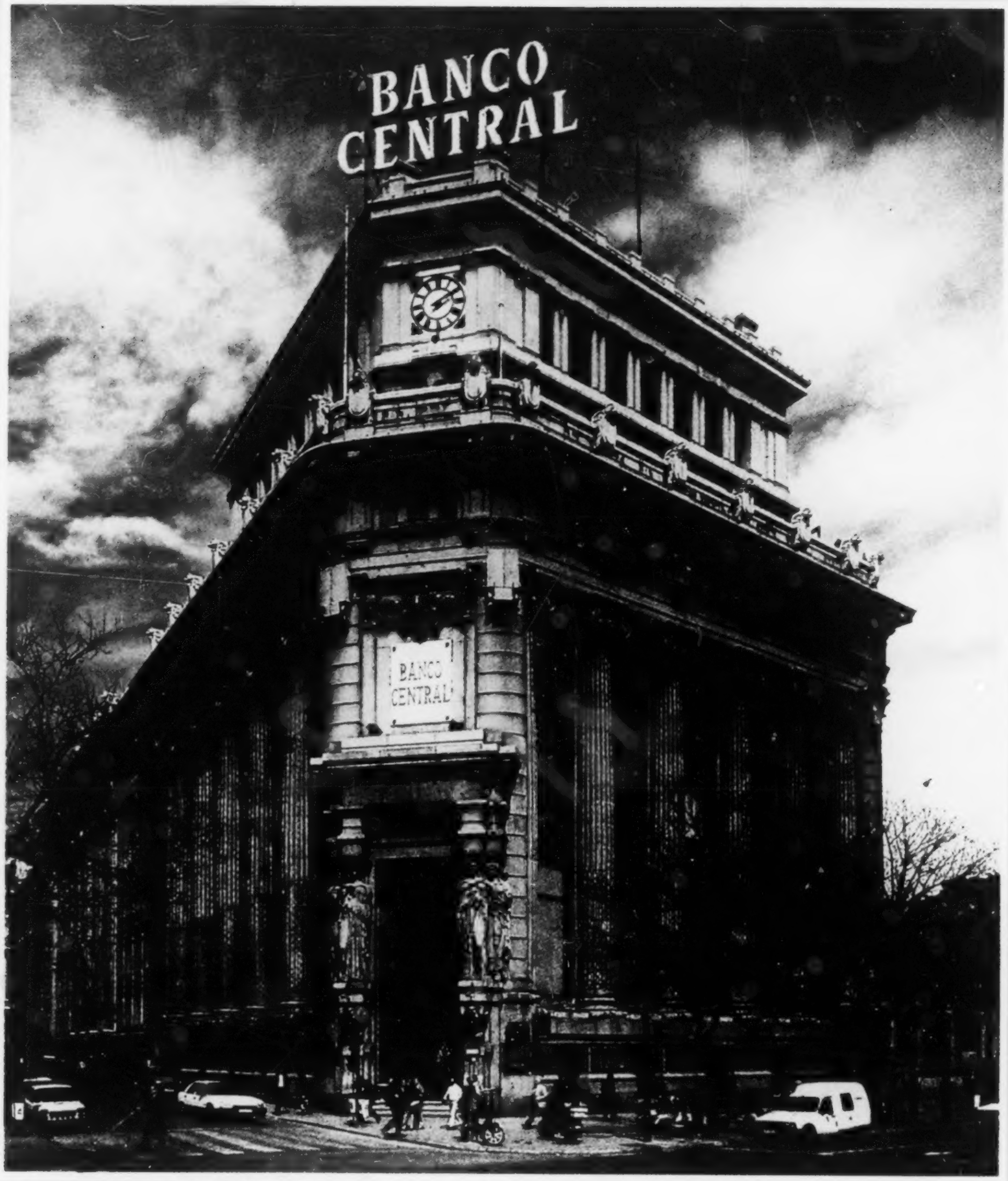

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1992 y EE.UU.: Imagen con poco contenido?

Conseguir la designación de los Juegos Olímpicos y la EXPO supuso un enorme esfuerzo promocional, político y diplomático para España. La financiación de ambos, conjuntamente con las celebraciones del Quinto Centenario van a suponer—están ya suponiendo—una enorme carga al ya deficitario presupuesto estatal del Reino de España. Las cifras son astronómicas y le tomará varios años al país poder digerir tal esfuerzo financiero.

Los tres grandes eventos de 1992—complementados con la nominación de Madrid como capital cultural de Europa— son las estrellas en las que se pretende catalizar un inmenso esfuerzo promocional para proyectar al mundo una nueva imagen de España. La oportunidad única y la coyuntura favorable justifican el esfuerzo económico extraordinario

Sin embargo, la imagen jamás puede ser un objetivo en si mismo. Es un instrumento—esencial y utilísimo—dentro del plan estratégico. Los objetivos son más tangibles y cuantificables. Para una Administración pragmática como la actual, los objetivos de carácter económico deben tener gran peso específico entre los objetivos políticos "del 92".

A nivel interno, supondrá la creación de una red de telecomunicaciones y servicios homologable con el de los mejores países europeos. A nivel exterior se busca la "internacionalización económica" de España y que se puede sintetizar en: una mayor atracción para inversiones "de calidad" y un mayor reconocimiento de la calidad de nuestros productos en los mercados internacionales.

No sería razonable que, tras el enorme esfuerzo realizado España—incluídos sus empresarios más destacados—no incorpore a EE.UU. como país prioritario en su esfuerzo de internacionalización económica. De hecho, no se ha contabilizado ningún aumento sustancial de compañías españolas que se hayan establecido o introducido nuevos productos en EE.UU. Buena parte del capital norteamericano que va a España es especulativo y, mientras tanto, excelentes compañías de este país desconocen todavía las oportunidades económicas que España les ofrece como plataforma de negocio con Europa.

El proyecto de Gira de Promoción Económica que presentamos en este número, tiene por objetivo capitalizar la atención que España recibe en los medios de comunicación para darle un contenido económico, más sólido y longevo. Es una oportunidad que España no debe desperdiciar antes que la atención de los ejecutivos de este país se desvíe hacia México o la Europa del Este.

—MIGUEL SEBASTIA

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New England Business Council Opening

Melvin Ravech addresses the assembled Council guests.

Pasqual Maragall, Mayor of Barcelona, and Ricardo Jové, Chamber President.

Frank O'Connor, Director of the U.S. Department of Commerce for New England and Ambassador Ojeda.

Melvin Ravech with H.E. Julio Jacoiste.

On February 18, 1991 at the Copley Plaza Hotel in Boston, a luncheon was held to celebrate the opening of the New England Business Council of the Spain-USA Chamber of Commerce. The guest of honor was H.E. Pasqual Maragall, the Mayor of Barcelona and President of the Comité Organizador de los Olímpicos de Barcelona (COOB '92). In attendance was H.E. Jaime de Ojeda, Ambassador of Spain to the USA; H.E. Julio Jacoiste, Consul General of Spain in Boston; Xavier Roig, Chief of Staff of Mayor Maragall; and other Catalan officials. Over 60 senior executives of the New England business community were present.

Ricardo Jové, President of the Spain-USA Chamber of Commerce headquartered in New York City, graciously introduced Melvin Ravech, the newly designated Honorary President of the organizing committee of the Chamber's New England Business Council, based in Boston. Mr. Ravech is the senior partner of the prominent Boston law firm Ravech, Aronson, and Shuman, which has provided substantial support for the organization of the Council.

Mayor Maragall gave complimentary remarks on the Boston-Barcelona Sister City relationship, which has existed for many years. He encouraged U.S. and Spanish business people, who are results oriented, to establish stronger ties. He emphasized that the time is auspicious to approach joint ventures and become aware of opportunities in the European Community via Spain. Mayor Maragall stressed the importance of timing—i.e. prior to 1992—to optimize the U.S. business community's options and opportunities in business relations with Barcelona.

In closing, H.E. Jaime de Ojeda addressed the gathering, stressing that U.S. businessmen must act promptly and that it would be to their advantage to rely on the support of the Spain-USA Chamber.

The event was organized with the support of the N.Y. office, and coordinated by Robert F. Charriere, the recently appointed Executive Director of the Council.

That evening, Mayor Maragall received the prestigious Prince of Wales Award on behalf of the City of Barcelona in recognition of its outstanding architecture. The ceremony was held at the Harvard University School of Design. Ω

H.E. Don Jaime de Ojeda, Ambassador of Spain, Addresses the Chamber

A capacity crowd attended a luncheon in honor of H.E. Don Jaime de Ojeda, Ambassador of Spain to the United States, held on December 5, 1990 at the Waldorf-Astoria in New York City. The function was hosted by the Spain-USA Chamber of Commerce and the Spanish Institute.

Ricardo Jové, President of the Chamber, welcomed the guests to the luncheon, who included Ambassador Miguel de Aldasoro, Consul General in New York; Mariano Muela, Trade Commissioner; senior executives from top Spanish and U.S. banks and corporations; and members of the Spanish and U.S. press.

Ambassador Ojeda began his remarks by noting that Spain has engineered a nonviolent transition to democracy, proof of its political maturity, economic purpose, and high degree of adaptability. He stated that Spain represents an example of the recent evolution against the temptations to erect regional barriers against free trade, stressing that the country offers key advantages in world trade.

Specifically, the Ambassador observed that Spain's wealth of managerial talent increasingly is oriented toward foreign markets and is open to joint-ventures. Ambassador Ojeda added that vis-a-vis foreign investors, Spain has a liberal policy which imposes few obstacles on the remittance of royalties, investment proceeds, and capital gains. The country is building a new infrastructure around the world class events of 1992 scheduled to be held there. These dynamics have sparked private initiative with mergers, consolidations, and new investments, both from domestic and foreign sources. It is estimated that by 1992 about 60% of Spain's manufacturing facilities will be less than six years old, insuring the long-term competitiveness of its economy.

Ambassador Ojeda speaks with Chamber guests.

The Ambassador also stressed that the accession of Spain to the European Economic Community (EEC) has meant four years of high and sustained economic growth for its economy. During this period its gross domestic product has been growing well above 5%, and the level of employment has improved by 4% since 1985. Such growth has shortened the existing gap between Spain and the average in the EEC in terms of modernization and development.

Ambassador Ojeda assuaged the fears of many U.S. firms that the single European market will be protectionist. Rather, it will be a platform for investment, a manifestation of the EEC's commitment to open trade.

Surprisingly, the strong Spanish market has not attracted the active interest of U.S. firms that it warrants. As a result, in the last five years the USA has lost ground to Italy. Despite the fact that Spain continues to buy 9% of its total imports from the USA, its third largest supplier, the Ambassador advised that U.S. firms will have to be more aggressive in order just to keep their ranking of third among other countries that invest in the Spanish market. U.S. direct investment in Spain has lost ground in percentage and also in real terms to other members of the EEC and Japan. It decreased 11% in 1988 and 4.6% in 1989, while the total foreign direct investment in Spain grew by 15% and 38% in 1988 and 1989 respectively. Additionally, it is worrisome to many Spanish businessmen that Spanish exports to the U.S. market are diminishing, currently accounting for just 7% of Spain's total world exports.

The year 1992, Ambassador Ojeda emphasized, offers U.S. firms an excellent opportunity to offer their American managerial expertise, technological advancement and industrial might to the Spanish economy and establish profitable ties. He expressed the hope that the USA will seize this opportunity, reverse the present negative trend, and recover its historical role in the Spanish economy.

Contemporary Spain focused its economic activity on Europe more than on the USA, and Spain's recent integration into the EEC has increased this tendency. Recently the strength of the peseta has made trade with the U.S. market difficult, particularly since Spanish goods traditionally have been sold in this market on price rather than on quality and by a recognized brand-name. The Ambassador affirmed that if Spain wishes to play a more competitive role in the global market, the country needs to be more active in the U.S. economy.

In closing, Ambassador Ojeda praised the efforts of the Spain-USA Chamber of Commerce in what presently is its most active period in its 32 years of existence. He applauded the Chamber's projects which are designed to open doors and to educate and bring together executives and entrepreneurs, which he described as the real driving forces behind a long-term, global interaction between Spain and the USA. A press conference was held immediately following the luncheon. Ω

Chamber Launches U.S. Tour: "Multi-Industrial Business Opportunities" in Fall 1991

The Spain-USA Chamber of Commerce is organizing an ambitious presentation designed to provide information about Spain as a business partner, the 1992 events, and Spain's business opportunities for U.S. and Canadian business people. The Chamber will target industries which seek to initiate or expand operations in the European market. At the same time, the presentation will offer Spanish investors in the U.S. market a platform to gain wider exposure among potential clients and business partners. The presentation will travel to nine cities in the USA and Canada in the fall of 1991.

Although currently Spain is receiving much coverage in the world press associated with the 1992 Summer Olympics, Expo '92, and the events commemorating the 500th Anniversary of Columbus' historic voyage, most of the publicity is cultural, not economic, in nature. As a result, to a large extent among U.S. entrepreneurs and corporate executives, the strength of the Spanish market and the potential for profit it offers, remain widely unknown. The Chamber seeks to change this by capitalizing on the interest in Spain generated by the 1992 events and to aggressively increase business with Spain.

The tour objectives are:

* To increase interest in the Spanish market among the top decision-makers operating leading companies in the United States and Canada.

* To introduce the sponsors to a selected group of U.S. companies in an effort to reinforce or to establish bi-national business links.

* To organize meetings dealing with the most important economic sectors of each city where the presentations take place.

* To integrate official entities and authorities, business associations and the media of each city and/or state in the project.

* To inform more than 10,000 U.S. and Canadian companies with annual sales of over $10 million that deal in specific sectors of the best opportunities in Spain, about the project, the presentations and post-tour activities.

Representatives of the sponsor companies and of the organizations involved with the events of 1992 will also be part of the promotional tour. A Chamber team based in New York will be in charge of the logistics, itinerary, agenda, contacts with public entities in each city and contact with the media.

In each city, the full-day presentation will be divided into four parts:

* General presentation of Spain and key aspects of business development. This part will be complemented with video presentations of 1992 events.

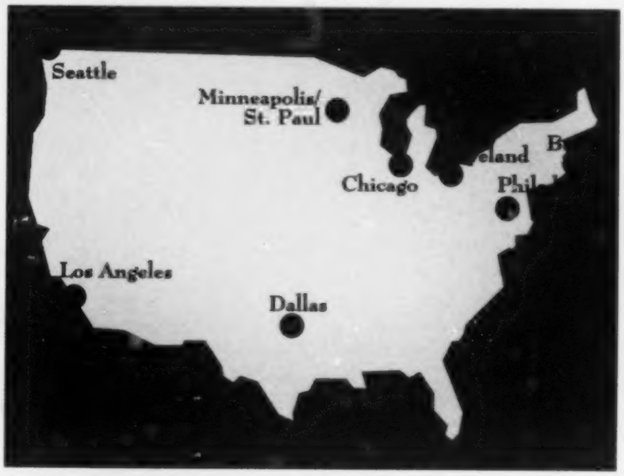
* Luncheon with all participants and presided by each city/state's authority.

* Limited meetings on three or four economic sectors of special interest in each city.

* Distribution of promotion material to the participants and interested parties.

The tour is scheduled to travel first to Boston, Toronto, Chicago, Minneapolis and Philadelphia in October 1991. The second phase of the tour will be in November and travel to Seattle (Vancouver), Los Angeles, Dallas, and Cleveland. Ω

For further information, contact Ms. Christa Seewald de Vicente, Special Projects Manager, at the Spain-USA Chamber of Commerce by calling (212) 967-2170. Fax: (212) 564-1415.



Chamber's promotion tour will visit nine cities in Canada and the U.S.

Chamber and Spanish Institute Honor Chairman of Banco Hispano-Americano

In March, The Spain-USA Chamber of Commerce and The Spanish Institute held a luncheon in honor of José María Amusategui de la Cierva, the recently appointed Chairman of the Board and CEO of Banco Hispano-Americano. The President of the Chamber, Mr. Ricardo Jové, introduced Mr. Amusategui to over 125 guests assembled.

Mr. Amusategui began his remarks stating that the Spanish banking industry is solvent, strong and well-equipped to weather the economic storms ahead. Its capital adequacy ratios stand favorably to the test of international comparisons, both in terms of core capital and total eligible funds. Provisions for country risk and bad loans are comparable to the best European banking systems, and even after 1990s lackluster performance, Mr. Amusategui stressed that profitability is more than acceptable.

The entrance of financial product specialists in the Spanish markets makes the repricing of traditional banking products almost inevitable, yet, in his assessment, big banks will not be helpless in meeting the challenge. Branch networks could be rationalized to reflect new market conditions, and he predicts that smaller branches will be closed while bigger branches will increase their sales of non-traditional services. Banks will dedicate greater efforts to cut operation costs. The banks have a very good chance to win this competitive war. The combination of much more powerful and versatile technology together with a wider product range will allow the best banks to excel in the relationship banking area.

According to Mr. Amusategui the problem of competing in a European-wide market appears to be more complex. As historical experience has shown, economic integration, whether prompted by political union or by progress in communications, has led to the creation of institutions big enough to cover the expanded market. In the case of European integration, however, he believes that the process probably will be very slow because Europe will remain divided by deep cultural, linguistic, legal, and tax barriers.

L to R: Clark Winter, Ricardo Jové, José María Amusategui, Amb. Miguel de Aldasoro, Francisco Alcón.

There is no single private banking institution in Europe that could compete effectively as a universal bank in the main European countries. Only a multinational combination of the largest European banks could hope to achieve it. Only certain banking alliances, such as Europartners, could provide the seed of a future and truly universal pan-European bank.

In this light, Mr. Amusategui affirmed that perhaps only a half-a-dozen of the biggest European banks could hope to play an important role in their home base and join the ranks of the small-to-medium size institution in some of the remaining markets. These banks would enjoy certain advantages, such as greater bargaining power vis-a-vis some suppliers and customers, as well as the prestige and image derived from size. However, as some large U.S. banks found in their European operations, there also are some disadvantages associated with this model. For example, it is not always easy to think big in one market and small in another. Furthermore, in a service industry, the handicaps attached to a "foreign" image are much greater than in manufacturing.

The dominant European model appears to be what could be called the "large regional banks," which are universal banks operating in one territory and basing their competitive advantages in their strong identification with that territory. Their expansion could proceed gradually towards neighboring areas with close cultural links with their home bases. All of the Big 6 Spanish banks have an adequate size to compete in this type of strategy.

Mr. Amusategui stated that the basic business of banking is service and information. The new technologies allow banks not only to cut costs, but they offer them the chance to improve the breadth of service quality.

In closing, Mr. Amusategui stressed that the Spanish banking industry holds some very real and valuable intangible assets, including experience, strategy, and management talent. The image of Spanish banks has improved dramatically in recent years, not only at home but especially abroad. He cited that in the latest international bank ranking produced by *Euromoney* magazine, all the Spanish banks were among the best one-hundred in the world and one of them came in first place. It is an auspicious starting point from which to tackle the challenges of the 1990s. Ω

Chamber Hosts New York State Investment Luncheon

Held at the New York State's Department of Economic Development (DED) offices, in February, the Spain-USA Chamber of Commerce hosted a business luncheon on "Foreign Direct Investment Opportunities in New York State."

On behalf of the Chamber, Mercedes Mestre of Korn/Ferry International and member of the Chamber's Board of Directors, welcomed the guests to the luncheon.

Barry Spaulding, DED's Deputy Commissioner of the International Division, described his office's mandate as threefold: to actively coordinate with companies coming to New York State; to help New York firms going abroad to access the international market; and to aid in the establishment of international partnership programs. He stated that New York State was among the first states to promote foreign direct investment. He underscored the fact that New York is not just New York City, a belief commonly held abroad. Rather, it is a large state with a diversified economy and a highly trained work force.

Sara Jane Demy, Manager of DED's Bureau of Foreign Direct Investment, pointed out that as long as a foreign company creates or retains even one single job, DED provides it with assistance services for free. These services include researching potential locations to set up operations; researching existing facilities that the foreign company could utilize; conducting tours of these sites; and introducing company executives to local officials. Once the company decides on the location, DED assists them in obtaining necessary permits and environmental approvals.

L to R: Sara Jane Demy of DED, Diederik Advocaat of UDC, Mercedes Mestre of Korn/Ferry Int'l, Barry Spaulding of DED.

It even helps companies work through immigration problems and assists executives in finding appropriate housing, as well as aid in creating job training programs.

Notably, investment incentives offered to foreign firms are equal to those offered to domestic companies. DED finances a substantial portion of investment in New York State, namely 40% to 89% of a company's initial fixed capital investment. Additionally, a firm can obtain up to 9% in tax investment credit on up to 89% of that initial fixed capital investment.

Later in the presentation, Robert Dormer, the President of the Job Development Agency (JDA), the State's $600 million Economic Development Bank, discussed how the JDA assists with the financing needs of companies in the state that wish to expand or build new facilities. Nearly every type of business in the State is eligible for JDA assistance. However, the primary loan and loan guarantee programs may not be used for retail establishment, hotels and apartment buildings.

JDA may lend up to 40% of project costs in connection with the construction, acquisition, rehabilitation or improvement of industrial or manufacturing plants, research and development facilities, or the acquisition of machinery and equipment to be used and located within the state. JDA loans, not made for working capital, can be made in the form of a second mortgage, and are executed through non-profit local development corporations, of which there are more than one hundred in the State. These loans, of twenty-five thousand to twenty-five million dollars, are made with the proceeds of State-guaranteed bonds or notes issued by JDA. As a convenience to the firm, JDA deals with foreign banks when financing transactions.

In addition, JDA provides guarantees of bank loans of up to 80% of project costs. Eligibility requirements for loan guarantees are the same as for direct loans. Economic development zones were created to stimulate business and employment growth in selected areas of the State.

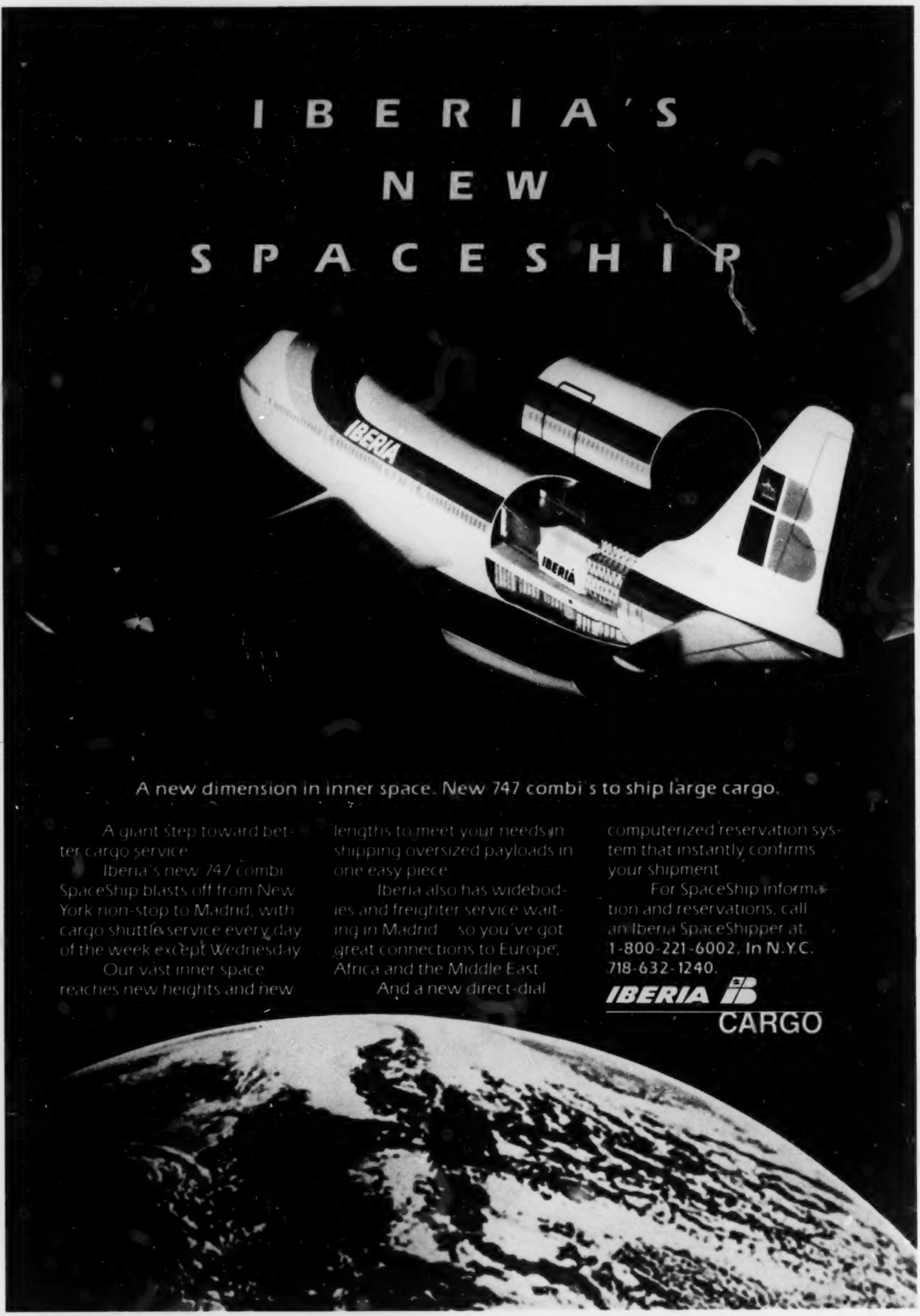
In the last presentation, Diederik Advocaat, Project Manager of the Urban Development Corp (UDC), informed the Chamber members and guests that the UDC provides below market rates on loans and grants to companies that cannot obtain financing through banks, or to firms that need an incentive not to re-locate out of state. Assistance is based on the creation of jobs, at a rate of fifteen thousand dollars per job created/retained.

A lively question and answer period followed the presentations.

The discussion focused primarily on the factors that differentiate New York State from other states, highlighting the proximity to markets for shipping and travelling as well as the consistency in high quality of the labor. The tremendous water supply of the state allows air conditioning and heating to be lower than in states that have problems with their water supply. DED stated that the cost of office space in New York City has decreased over the past few years.

Several Chamber members stressed that it is imperative to impress on Spanish firms that New York State is much more than New York City - that it is a large state with a diversified economy. Ω

For additional information regarding Foreign Direct Investment in New York State, contact the New York State Department of Economic Development, International Division, at (212) 827-6200.



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The EACC Continues Without Netherlands

A few months ago we announced in the pages of this magazine the establishment of the European-American Chamber of Commerce in the United States. During this period the member-state bilateral chambers of the European Community in the United States have been discussing and working on ways that would enhance the range of services available to our members.

Progress has been slow despite the desire of the eleven bilateral chambers, including the Spain-USA Chamber of Commerce, to create a unifies entity, the Netherlands Chamber set up its own organization and a final cooperative agreement has not been reached.

On behalf of the Spain-USA Chamber of Commerce and the other ten bilateral chambers, we have decided to proceed our way and create the sort of organization and provide the services which many of the five thousand or more members of the bilateral chambers are actively seeking.

Our primary responsibility be the wide range and member companies involved in transatlantic business. We see the importance for our members to establish the European-American Chamber as a platform for presenting the business view on matters affecting trade and investment, through our relationships with the relevant U.S. government departments, the European Commission, and the member state governments. We also recognize the need to provide information on US/EC trade relations to our smaller members through an array of activities.

Please watch for further updates on the EACC in *The Business Link* and our newsletter *Link Letter*. We hope you all will be able to make use of this vital organization. Ω

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(Correction: Windels Marx Davies & Ives was a 1990 sustaining member)

L to R: Miguel Sebastiá, the Chamber; José Antonijuan, Commercial Office; Mehdi Hojjat, Lehigh Univ.; Juan Durán, ENISA; Ricardo Gómez-Acebo, Banesto; Paul Hanks, Lehigh Univ.

"Doing Business in Spain" Seminar at Lehigh University

On February 15, Lehigh University's International Trade Development Program, in conjunction with other organizations, brought together representatives of over 25 important Spanish public and private sector organizations and Lehigh Valley firms to discuss trade and investment opportunities in Spain.

After a brief introduction by seminar coordinator Mr. Paul Hanks and the International Trade Development Program director, Dr. Mehdi Hojjat, the featured speakers from Spain addressed a wide range of pertinent trade and investment topics. An overall economic snapshot of Spain was concisely presented by Mr. José Antonijuan from Spain's Commercial Office in New York. Mr. Juan Durán, the director of industrial promotion of ENISA, the national innovation agency, successfully untangled the myriad of regional and government investment incentives available to foreign direct investors.

In an apt summary of the banking industry in Spain, Mr. Ricardo Gómez-Acebo, director of Banco Español de Crédito's New York Regional Office, explained the important role of Spanish banks which, unlike their American counterparts, offer both commercial and investment banking services as espoused by the "universal" banking model. The last presentation featured Mr. Miguel Sebastiá, Executive Director of the Spain-USA Chamber of Commerce who highlighted the unprecedented openness of Spain's investment climate and the willingness of public officials to attract and work with foreign investors. As an example of this reinvigorated business culture, Mr. Sebastiá pointed to increased aggressiveness of Spanish firms to compete globally in their aim to better employ brand marketing techniques in foreign markets including the United States. Ω

President of Castilla-León Honored

In March, the Spain-USA Chamber of Commerce hosted a luncheon in honor of Jesús Posada, President of the Regional Government of Castilla-León at the University Club in NYC. Mr. Posada discussed with senior executives of the Spain-USA business community the projects that his government is developing.

He stressed that Castilla-León seeks to establish stronger commercial ties with the USA, particularly through business relations with top-level executives in NYC.

The President was accompanied by two members of his government, Miguel Pérez, Commissioner of Economy and First Vice President, and Isaias López, the Secretary General. Also present were Ambassador Miguel de Aldasoro, Consul General of Spain in NY; Mariano Muela, Trade Commissioner; and Francisco Girón, Director of the National Tourist Office of Spain in New York.

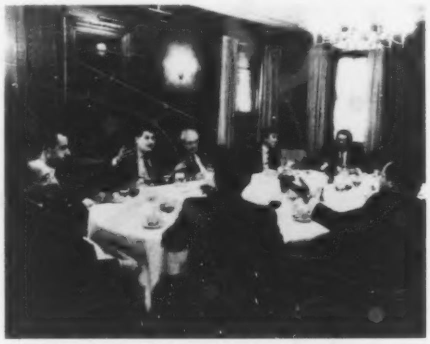
The President of the Chamber, Ricardo Jové, presented President Posada to senior executives of Spanish banks, including Ignacio Eguiluz of Banco Bilbao-Vizcaya; José Peces of Banco Español de Crédito; and Marcial Portela of Extebank. Also in attendance was Miguel Sebastiá, Executive Director of the Chamber. Ω

Castilla-León Parliament Head Visits NY

A breakfast in honor of the President of the Regional Parliament of Castilla-León, Carlos Sánchez, was offered by the Spain-USA Chamber of Commerce in cooperation with the United States Information Agency (U.S.I.A.).

Mr. Sánchez spoke about the economic situation of Castilla-León and was introduced to senior executives of the Spain-USA business community based in NYC. He was accompanied by Manuel Estella, the Attorney General of the Province of Salamanca and First Vice President of the Parliament, Dionisio Llamazares, the Second Vice President, and José Luis de María Pena, Chief of Staff and Secretary General.

Bernard James Seubert of the U.S.I.A. and Ute Sachs of the U.S. State Department attended the breakfast, along with Javier Collar, Consul of Spain in New York City, Olimpio Fernández of Banco Atlántico, Guillermo Garriz of Banco Hispano-Americano, and Alfonso González of Banco Central. Ω



Castilla-León President with Chamber guests.

People at the Chamber

New Faces at the Chamber

Luz Marina Díaz recently joined the Chamber's staff as an editorial and marketing assistant of *The Business Link* and as a Chamber membership services associate. A top priority of Ms. Díaz will be to reinstate the Juniors Club program, which organizes activities of particular interest to junior executives of the Spain-USA business community. Currently Ms. Díaz is pursuing a degree in fashion design at the Fashion Institute of Technology, with a specialty in women's apparel. She holds a B.A. in business administration, with a concentration in finance, from Temple University in Philadelphia, PA. Ms. Díaz is a native of Venezuela and resides in Manhattan.

Luz Marina Díaz

Helena García

Albert Almazor

Helena García recently joined the chamber to coordinate the updating of the Chambers Trade and Membership Directory, the best and most comprehensive guide for Spain/US businesses. Her experience in computer systems will be a major asset when she begins to reorganize the Chamber's current system. Helena's energy in assisting the coordination of a major project for the Chamber in 1991—the Trade Promotion tour for the US and Canada—augur for the successful organization of an ambitious and unique project. In December 1990 Ms. García received an MBA from Kutztown University in Kutztown PA. In 1988 she received a liberal arts degree with a major in French Language and Literature from the Universidad de Valladolid. Ms. García was born in Aranda de Duero (Burgos), has lived extensively in France and England, and currently resides in Manhattan.

Chamber Interns

Albert Almazor is an intern at the Chamber who currently is involved in several projects. He is implementing a cost-accounting system by departments in order to optimize the Chamber's resources in the development of these projects. In addition, he is involved in the up-dating of the Trade and Membership Directory. Mr. Almazor has come to the Chamber to complete a practical training requirement to finish his MBA in International Commerce from the Escuela Superior de Administración y Dirección de Empresas (ESADE) in Barcelona, Spain. In 1988 he received a law degree from the Universitat de Barcelona. Mr. Almazor worked with a transport company, analyzing their financial status. He speaks five languages, is from Barcelona and resides in Manhattan.

Salvador Ruiz

Lander Unzueta

René de la Vega

Salvador Ruiz fulfilled a hands-on training requirement for the completion of his masters degree in foreign trade from the Universidad de Murcia, Spain, by becoming an intern at the Chamber. Independently he conducted marketing studies and ably assisted the Chamber with its special projects. Currently Mr. Ruiz is pursuing a doctorate at the Universidad de Murcia, where he obtained an undergraduate degree in economics and business administration. For several years at that same university he has taught marketing courses to fifth year students who are studying for masters degrees.

Lander Unzueta is an intern at the Chamber. Currently he is conducting research on various sectors of the Spain-USA market, those which are rapidly modernizing and "up-and-coming," as well as those that for years have been profitable mainstays of trade and commerce between those two countries. As part of his study, he is contacting senior executives from important companies in these sectors who will provide him with statistics and detailed information on their firm, sector, and market. Information from his findings will be included in articles and reports in the 1991-92 edition of the Chamber's Trade and Membership Directory. Mr. Unzueta is interning at the Chamber to complete a requirement for a M.B.A. in International Commerce from the Escuela Superior de Administración y Dirección de Empresas (ESADE) in Barcelona, Spain. In 1987 he received a degree in medicine from the Universidad de Barcelona. Mr. Unzueta speaks four languages. He was born in San Sebastian, has lived in Los Angeles, and currently resides in Manhattan.

René de la Vega left the Chamber this year after completing a one year internship during which he assisted in the preparation of the Chamber's special events and conducted market research. Currently Mr. de la Vega is pursuing a masters degree in international management at the American Graduate School of International Management, widely known as Thunderbird, in Glendale, AZ. He graduated in May 1989 from Columbia University, New York, N.Y. with a degree in history. Mr. de la Vega was born in Munich, Germany and lived in Spain for many years.

Spanish Organization Reps at the Chamber

Ignacio Ravell recently took charge of the New York division of the Institución Ferial de Madrid, Madrid's trade fair organization known as IFEMA, which uses the Chamber as a logistical base. His goal is to publicize in the USA the 40 national and international fairs and exhibitions that are held annually in Madrid. Since yearly these fairs attract 15,000 exhibitors from over 350 sectors, 500,000 professional visitors from 120 countries, and 2.5 million general public visitors, he plans to promote these fairs as crucial to the U.S. business person who must keep abreast of sector developments and trends. The IFEMA newsletter, received by top U.S. organizations from varied sectors, includes details on up-coming fairs, reviews of past fairs, and has a calendar of events in Madrid. He is experienced in the trade fair industry, as he worked for two years in the commercial department of Prosema, an organization which promotes the Spanish agricultural sector by organizing fair and exhibits throughout Spain and abroad. Mr. Ravell studied marketing at the Escuela de Administración de Empresas de Barcelona (EAE). He plans to study sociology at one of New York's universities next semester. Mr. Ravell is a native of Barcelona and resides in Manhattan.

Marta Ruigómez is the 1991 Foreign Trade Advisor from the Madrid Chamber of Commerce in New York City, and will use the Chamber as a logistical base. Ms. Ruigómez is conducting marketing research on industry sectors as varied as processed foods, optics, air conditioning systems, industrial windows and doors, and lighting fixtures. To complete these studies she plans to interview senior executives from top companies in these sectors, and will include her findings and conclusions in comprehensive reports. In addition, Ms. Ruigómez will seek to promote Madrid's exports and foster investment in Madrid by U.S. companies. She will research trade opportunities between the two countries and provide information to interested parties. The Chamber will cooperate in this regard.

Ms. Ruigómez holds a B.S. degree in international finance from Madrid's ICADE School of Business of the Universidad Pontífica de Comillas. She was a summer intern at Citibank España in Bilbao, where she got hands-on experience in the operations of a U.S. bank branch in Spain. She has taken various seminars on currency exchange controls and international monetary markets, and currently is taking a course on international marketing strategies at New York University. Ms. Ruigómez is a native of Madrid, lived for a year in Ireland, and resides in Manhattan. Ω

Marta Ruigómez

Ignacio Ravell

Chamber Welcomes Fulbright Scholar

As part of the United States Information Agency's (USIA) Fulbright Scholarship program for senior foreign journalists and editors, the Spain-USA Chamber of Commerce sponsored a reception and luncheon on behalf of grant recipient Ms. María Buhigas. As the editor of *La Gaceta de los Negocios*, a leading financial daily newspaper in Spain, Ms. Buhigas had a unique opportunity to learn more about business journalism in the U.S. as she visited select business media and journalistic organizations during her two month tour of the country.

Joining Ms. Buhigas at the Chamber were Chamber Director Michael Bennis, Chamber President Ricardo Jové, *Forbes* magazine reporter David Stix, *The Business Link* magazine Editor-in-Chief Alex Robarts and a USIA translator. Ms. Buhigas was able to ask questions about and discuss business reporting in New York City and the magazine industry as well as the Chamber's mission to enhance business relations between Spain and the U.S. and the role of its business publications in achieving this goal. Ω

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U.S. Business

The Recession That Wasn't Necessary

BY DR. IRWIN L. KELLNER

If a half-dozen years ago, we had set out to deliberately end an economic expansion, put a ceiling on such big-ticket purchases as new houses and cars, to depress the real estate market for the first time since the 1930s, to deal a body blow to the financial system by eroding confidence in banks, to reduce the effectiveness of monetary policy, and to widen Washington's budget deficit while causing states and local governments to run red ink of their own, we could not have done a better job than we actually did.

I am referring, of course, to the passage of the Tax "Reform" Act of 1986, the unprecedented tightening of money by the Federal Reserve in 1988-89, as well as to a number of actions, such as requiring higher capital-to-loan ratios, and forcing some banks to declare certain loans "non-performing," even though interest and principal were being paid on schedule.

These developments are what led to our ninth postwar recession—not the invasion of Kuwait by Iraq. And while business downturns are nothing new—we've experienced at least 30 since records were first kept 140 years ago—this one is somewhat different.

For one thing, it has affected occupations that in the past were barely touched. People working in such "white collar" positions as lawyers, accountants, the media, commercial and investment bankers, stockbrokers, and real estate personnel including architects, interior designers, brokers and construction personnel have not only lost jobs en masse—they've also had significant difficulty finding new jobs in their fields.

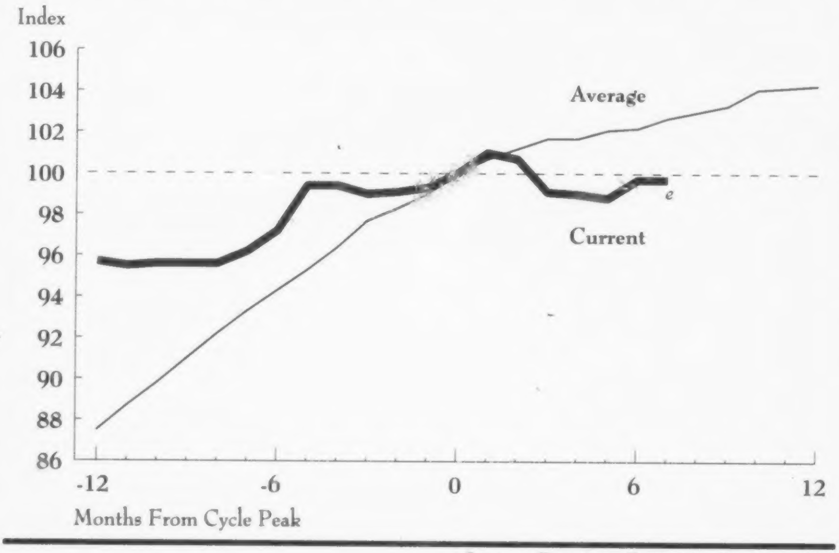
Second, real estate values have been plummeting in most parts of the country. This in turn, has depressed consumer confidence in a way that the stock market crashes of 1987 and 1989 couldn't because it has undermined the value of the average family's biggest asset—its home.

Third, it was precipitated—and is still being accompanied—by a "credit crunch." This is a situation where many would-be borrowers find it increasingly difficult to obtain a loan from their bank. Needless to say, such apparent unwillingness of the banks to lend money could deepen the current downturn—not to mention delay the beginning of the next recovery.

The Tax Act of 1986 started the ball rolling by suddenly changing the rules for investing in real estate. Thanks in part to the 1981 tax law, real estate had been a sought-after investment, pushing up values considerably. Soaring stock prices from 1982-87 gave real estate a further boost.

But changes made in 1986 in the interest of tax equality served to stifle economic growth by reducing incentives to invest—especially in real estate. For example, "passive investors" were deprived of such normal tax deductions as mortgage interest, taxes and depreciation. This effectively made it more costly to invest. Then capital gains taxes were raised from 20 percent to 28 percent. The net result was that real estate suddenly became uneconomical. As investors sold their holdings, real estate values contracted, hurting a number of parties—including those financial institutions that had financed these holdings.

Commercial Industrial Loans: Current Experience vs. Average of Prior 8 Cycles



Sources: FEDERAL RESERVE BOARD; MH

Weak to begin with, the savings and loans began collapsing first. To make up for their inability to spot this ahead of time, the regulators proceeded to require that some commercial banks—also large lenders to real estate—write down the value of their real estate loans. This, of course, led to big increases in loan losses, impaired profitability, and lower prices for many bank stocks. Meanwhile, the Fed and its central bank counterparts in many other countries was in the process of raising the amount of capital the banks had to have behind their loans. In view of the sudden deterioration in their loan portfolios—not to mention the steep decline in prices of their shares—the only way the banks could comply was to cut back on new lending. Therein lies the origin of today's credit crunch.

> On top of this, the Fed decided to tighten monetary policy to a degree not seen since the 1930s

If this were not enough, the fall in confidence caused by the drop in the value of people's homes caused them to reduce their purchases of a wide variety of goods, ranging from autos, to new homes, to household furnishings. Needless to say, this depressed the goods-producing sector of our economy—sending it down long before the Gulf War .

Spending also fell because effective buying power was decimated by two other provisions of the 1986 tax act: the elimination of the deductions for sales taxes and for interest on most consumer loans. Subsequent sharp increases in Social Security taxes, as well as those on alcohol and tobacco, gasoline,and "luxuries," ensured that consumer spending, which represents two-thirds of the gross national product, would tumble, and with it, the rest of the economy. On top of this, the Fed decided to tighten monetary policy to a degree not seen since the 1930s. Bank reserves in 1989 fell by about the largest percentage in the postwar era, while money growth since then has been almost nonexistent. The yield curve went negative, too.

And, in a case of extremely poor timing, Washington has begun to talk about reducing deposit insurance coverage, as part of restructuring the banking system. Once again, with seemingly laudable interests at heart — in this case, avoiding another taxpayer financial industry bailout— politicians are effectively choking the economy. It has been reported in the financial press that a number of large corporate and individual depositors have begun to withdraw all but FDIC insured funds from some banks. Indeed, there have been a few instances of smaller, "country" banks, refusing to lend their excess funds to some bigger money-center banks. Instead, these funds are being kept idle, or invested in Treasury instruments.

This has not only worsened the credit crunch by impairing the banks' ability to lend—it has also weakened materially the effectiveness of monetary policy as the Fed tries to jump-start the economy.

And it boggles the mind that, in today's environment, some people would want the banks to "mark to market", in other words, to carry long-term loans at current market prices. You can see where a temporary decline in asset values could have a deleterious effect on loan "quality," thus on provisions for bad loans, profits, and bank capital. Ω

DR. IRWIN KELLNER *is Chief Economist at Manufacturers Hanover Bank in NY.*

Selecting Your Niche in The Global Marketplace

Small business should base its international strategy on picking the right markets and identifying reliable contacts

By Mehdi Hojjat

Small businesses of the world should be aware that the world is their marketplace. For these companies, the global marketplace represents $4 trillion in business opportunities. In 1991, this market is expected to grow at a rate of 5 percent. The U.S. share of this global market is about 20 percent. Therefore, by not selling your products abroad, you are ignoring 80 percent of your market.

In the 1990s, only the firms that can think globally are going to survive locally . Exporting has become a necessary ingredient in the growth of small businesses. Among the many many good reasons for exporting are profit and growth opportunities, diversity of sales base, economies of scale in production and marketing, and extension of product life cycle.

U.S firms should design and manufacture their products not just for their own domestic markets but for the world market. Although many small businesses consider international trade as a domain of large corporations, three recent trends in the world economy have been helping them to understand the importance of exporting:

First, The single European Act of 1987, which calls for the establishment of "an area without frontiers, in which the free movement of goods, persons, services, and capital is ensured, amounts to a binding commitment of part of the European Community (EC) to create a unified internal market by the end of 1992. The single market program will have important effects on the pattern of trade in the world. However, the publicity about the single market program has already created a tremendous interest among small businesses to venture into the global marketplace.

Second, after more than eight years of expansion, global economic activity continues to grow rapidly in an environment of relatively moderate inflation. This expansion of world economy has been accompanied by a strengthening of the process of international cooperation among Eastern and Western block countries. In both Eastern and Western Europe, small business have high expectations regarding the integration of their domestic economies into the global marketplace. This process will create additional opportunities for small businesses in the United States.

U.S.-Canada Free Trade Agreement (FTA)

The United States and Canada are the world's largest trading partners, exchanging goods and services totaling about $220 billion in 1989. This impressive U.S. - Canada economic and commercial relationship has flourished based on geography, cultural, and historic similarities and despite the barriers on both sides of the border. The U.S. - Canada Free Trade Agreement which was implemented on January 1, 1989, eliminates all bilateral tariffs over the next 10 years and opens the door to a new opportunity for small businesses.

Given these tremendous opportunities in international markets, small businesses may want to commit energy and resources to formulate and implement an international marketing plan. This formula should be based on two principals: first, selecting the right markets for your products and, secondly, identifying reliable contacts in those markets.

Selecting International Markets

For new-to-export firms, foreign market research should be focused on selecting three to four countries that promise the most potential export sales. These markets can be identified through an extensive screening process.

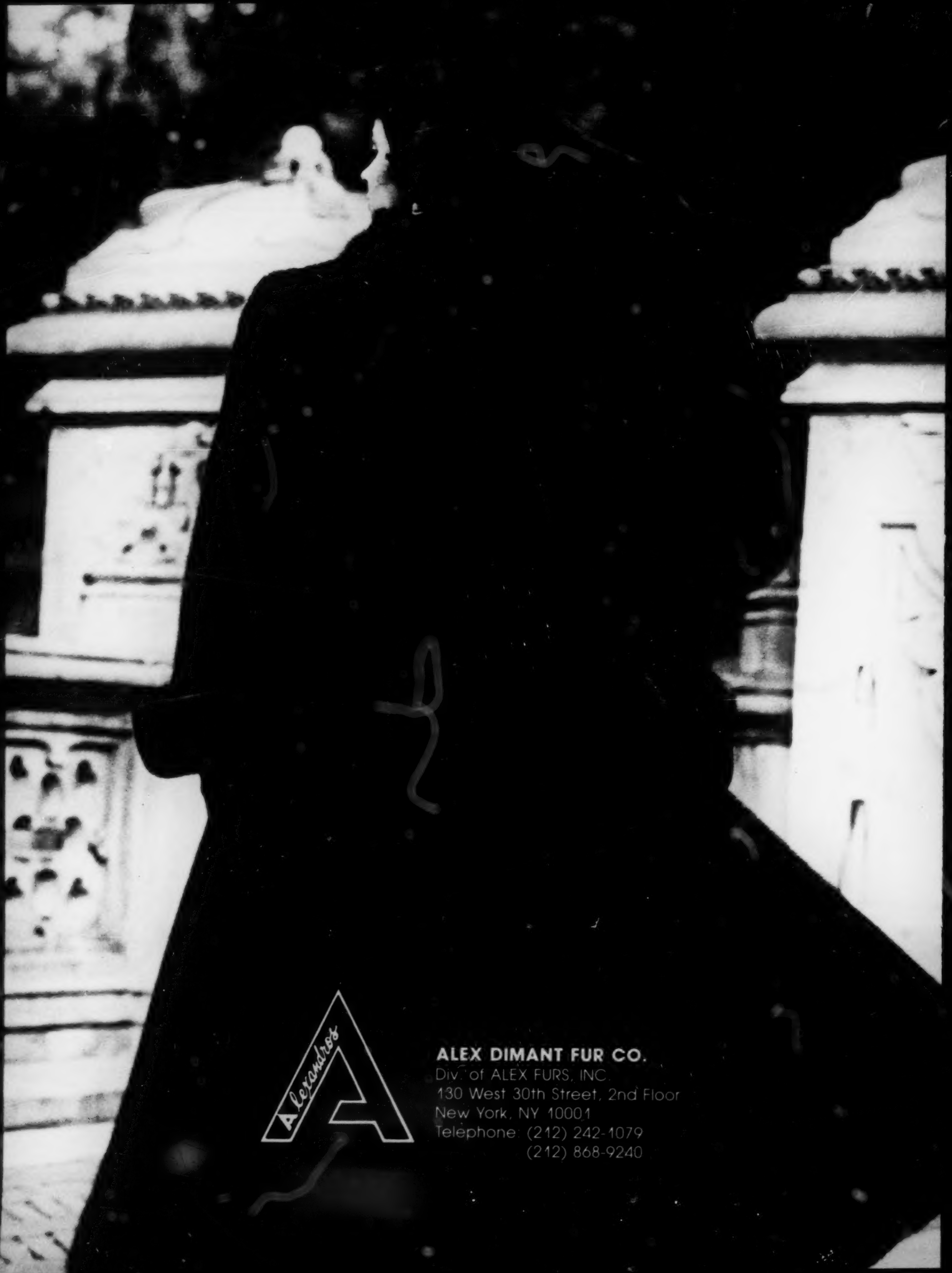
First, one should make a list of countries that need your product. Two main sources of information are U.S. Merchandise Trade: Exports, General Imports - Commodity by Country known as FT925 which lists the export value of 4500 commodities to 160 countries published by the U.S Department of Commerce and Foreign Agricultural Trade of the United States published by U.S. Department of Agriculture. A source of statistics is Export Information System (XIS), developed under contract by the U.S Small Business Administration. XIS reports for any products that are available from regional offices of the SBA.

Environmental Factors Are Important

From the list of countries, try to eliminate those where business is likely to be difficult due to economic, political and cultural factors. The result should be a list of approximately 8 countries.

For this screening you can use the following resources: International Financial Statistics published by the IMF, Business America, Foreign Economic Trends, Overseas Business Report published by the U.S. Department of Commerce, and the U.S. Department of Commerce Country Desk Officers.

Certain areas of the world can be



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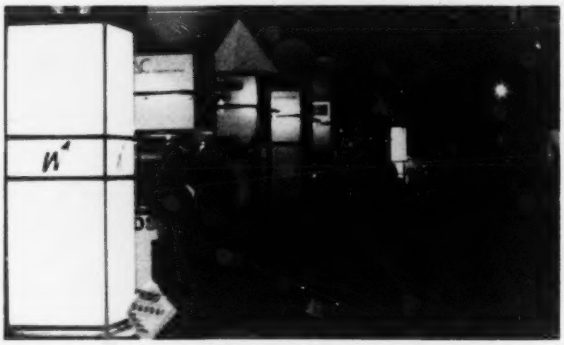
automatically eliminated as potential markets. If a country is a valid exporter of a certain commodity, you may assume that U.S. exports of the same commodity will not do well in that market.

For this information you may contact the Foreign Agricultural Service of the U.S. Department of Agriculture. Individual specialists for each commodity to be exported provide the necessary marketing and analytical information free of charge.

Research Target Markets

At this stage you need to evaluate competition, consumer, and product factors. Make a series of comparisons between features of your products and those products manufactured in or imported into the countries on your list.

To collect information at this stage, contact trade offices of foreign countries in New York City and look at such publications as your own trade journal, Made in Europe, World trade Index, Bottin International, ABC Europ Production, or utilize the Comparison Shopping Services of the U.S. Department of Commerce. Industry specialists of both U.S. Departments of Commerce and Agriculture are also a useful source of marketing information.



U.S. Pavilion at a Chicago trade show

Identifying Contacts in Selected International Markets

There are two basic alternatives to exporting: (A) indirect method, and (B) the direct method.

If you choose the indirect method, you will be dealing with an export trading company (EMC). For a list of EMCs in your area, consult Partners in Export Trade, a U.S. Department of Commerce publication; as well as The International Trade Resource Directory for Pennsylvania, a U.S. Small Business Administration publication that is free of charge.

One of the drawbacks of indirect exporting is lack of control on export operation. Also, it frequently results in a lower level of export sales because of smaller marketing efforts involved.

In marketing directly, you must search for and appoint your own overseas distributors, importers (brokers), salespeople or agents. There are three inexpensive but effective channels available for small exporters to identify and appoint agents and distributors in international markets: (i) advertising in selected journals, (ii) obtaining trade leads, (iii) participating in an international trade show.

Advertising in International Trade Journals

To attract foreign representation for your products, you can advertise in a U.S. trade journal which has a substantial international circulation. In addition, advertising in trade journals circulated in the selected international markets has handsomely paid for some small exporters.

You can also use the export product promotion services of the U.S. Department of Commerce. For example, for $250, Commercial News USA advertises your products globally as well as in a specific region of the world.

The Buyer Alert Program is an advertising program offered through the Foreign Agricultural Service. Specific information about your product is forwarded to foreign importers using the Buyer Alert Service in their country. Contacts is another advertising medium offered for U.S. agricultural products. Here, exporters are permitted to introduce an entire product line. Both advertising mediums are free of charge to the U.S. exporter.

Obtaining Trade Leads

To identify agents or distributors in the targeted countries the following sources are particularly recommended: The Journal of Commerce, Export Leads, Trade Channel (published in the Netherlands), and International Round Table (published in Florida). Also, Xportnow is a name of a data base which includes foreign contacts, These sources list trade leads including direct sales opportunities, overseas representation opportunities, and foreign government tenders.

Exporters can do their own product promotion and get assistance from AIMS (Agricultural Information and Marketing Services). The AIMS data base provides the exporter with names, addresses, and phone numbers of interested foreign buyers/distributors, for $150 per country, the U.S. & Foreign Commercial Service agents identify up to six interested representatives in a given market.

Banks and foreign commercial offices can be another source of assistance in locating overseas representation.

Participating in International Trade Shows

Attending an international trade show reduces the export entry time by 3 to 6 months. A list of trade shows is printed in Business America, as well as in Export Briefs, a weekly publication distributed by the Department of Agriculture. An annual subscription to this publication is $75. A similar list is maintained and regularly updated by the Pennsylvania Department of Commerce. The same advantage can be obtained by attending trade missions and match-making programs which are sponsored by the U.S. Department of Commerce and the Small Business Administration. The Foreign Agricultural Service (FAS) arranges personal visits with foreign buyers through its sales team program where five or six U.S. firms with good export potential participate in a coordinated sales mission. Also, Reed Exhibition Companies publishes a catalogue of international trade fairs which is available free of charge by contacting the company at (213) 964-0000. Ω

DR. HOJJAT *is the Director of the International Trade Development Program at Lehigh University, in Bethlehem, PA. The program specializes in developing and implementing export trade plans.*

Telefónica Embarks On an Aggressive U.S. Marketing Drive

Telefónica's strategy is to persuade multinationals to locate at least one of their network hubs in Spain

BY ADOLFO SUAREZ

Since it opened in 1987 as a financial support office servicing U.S. shareholders, New York-based Telefónica USA has grown to include support for all of Telefónica's activities related to the U.S. and Canada. Telefónica USA pays particular attention to the promotion of international and domestic services of Telefónica, especially to customers in the business sector.

Due to the recent success of the Spanish economy and the importance of telecommunications as a basic component (factor, resource) in today's business world, Telefónica faces two challenges.

The first challenge is the improvement of its product line. Telefónica is investing $28 billion in upgrading the Spanish telecommunications infrastructure to include things such as digital switching and fiber optic lines, as well as expanding the number of lines form the 1990 figure of 30 per 100 people to the European average of 40. The equivalent U.S. figure is 41.

Telefónica is also enhancing its product value by adding sophistication to its network. For example, it is implementing in 1991 the first phase of what is called the "Intelligent Network", and it is expanding on a plethora of value added services to increase the traffic originated by the business customer.

The second challenge that Telefónica faces is a cultural one: to become a market-driven company. Telefónica is currently one of the largest, if not the largest, companies in Spain and is growing at a very spectacular rate—18.3% from 1989 to 1990. Last year's revenues were $8.9 billion and its stock has been performing very well on five stock exchanges outside Spain including: New York, London, Frankfurt, Tokyo and Paris.

Telefónica has taken an active role in Latin American privatization

To change the culture in a large organization is always a long and arduous task, but if that is coupled with the fact that Telefónica has been enjoying a monopoly, or virtual monopoly, in the telecommunications market in Spain, the challenge becomes a very serious one indeed. This transformation from a monopoly mentality to a competitive market-driven company is still in progress here in the U.S. at several of the most aggressive regional telephone operating companies.

To succeed in this challenge, Telefónica has some "aces up its sleeve." Unlike most of the other telecommunications operators, Telefónica is not a PTT, which means two things: on the one hand, it is not burdened by the postal service (generally a money losing operation), and on the other, it is not part of the Administration. Telefónica is mostly privately-owned company (approx. 70%) and its stock is publicly traded around the world. Its internal dynamics are more likely to be driven by market forces than by, say, political intervention.

Another ace up Telefónica's sleeve is its international operations. Unlike other telecommunications companies, Telefónica has been for some time now an important player in the international arena. For instance, Telefónica currently has the third largest submarine cable network worldwide corresponding to 20% of total capacity after AT&T and the British operators.

Market Penetration Means Market-Driven

A highly publicized activity of Telefónica is its participation in the process of privatization that is taking place in several Latin American telephone companies. Telefónica holds currently around 40% of the stock of CTC, the domestic telephone company of Chile, and it also participates in Entel Chile which is the long distance Chilean telecommunications operator. Last year Telefónica was awarded the winning bid in the privatization of the Argentine telephone company.

The privatization split the telephone network in Argentina into two parts: north and south. Telefónica could choose and it chose the South portion that includes the Buenos Aires financial district. On the other hand, Telefónica lost a recent bid for a participation in the ownership of Telmex, the Mexican, telephone company but it has good prospects in other bids currently under way in the region.

All these international activities are giving Telefónica an advantage in its effort to become a market-driven company that a lot of the other European companies do not have. For example, the challenge to improve the telephone service in countries like Chile and Argentina will require Telefónica to tackle problems that in some cases will be tougher than the ones that it would encounter in a more mature network. Also, the regulatory situation in some of these countries is different than the one in Europe requiring a different market behavior on the part of the telecom operators.

All this experience is giving Telefónica new perspectives which are not available to other European operations that do not venture into foreign markets. The Telefónica participation in international forums such as the satellite associations and the cable consortiums as well as a long list of other international organizations provides the company with additional ways to understand market trends and customer service demands.

Telefónica USA is part of Telefónica's drive both into the international arena and into the market driven culture.. Mandate is to bring Telefónica closer to the U.S. market. This is a dual role. On the one had it will facilitate the U.S.-based Telefónica customer to do business with Spain. On the other hand it will help Telefónica understand the market behavior and opportunities of the most dynamic telecommunications environment in the world.

> **All this international experience is giving Telefónica new perspectives which are not available to other European operations that do not venture into foreign markets**

One of the ways in which Telefónica USA seeks to serve the U.S. business customer is by providing local customer interface abroad. Planning and contracting telecommunications services overseas can be a disheartening proposition to the average American business. There are different standards, cultures, languages and to top it all, there is typically a time difference between six and nine hours. By becoming a bridge across culture, language and time differences, Telefónica USA is seeking to attract U.S. clients.

A "Hub" Strategy

One of the difficulties that Telefónica usually encounters when competing for U.S. institutional clients is the location of the European headquarters of the U.S. company. Typically these offices are located in London, Paris and Brussels, and the U.S. company tends to base their communication centers around that European headquarters. The international services most often needed by the institutional customer are leased circuits and "hub" services.

A lease circuit is a point to point dedicated facility that connects two customer premises. A "hub" refers to communication centers that concentrate traffic from different leased circuits into a higher capacity leased line. Typically a U.S. company would lease a high capacity circuit across the Atlantic between a U.S. location and its European "hub" from which it would have additional leased circuits of lower capacity to its main European facilities.

Telefónica USA's strategy is to persuade U.S. businesses to either locate its main hub in Spain or at least one additional hub connected to their European headquarters. This second alternative is becoming more and more common as companies seek route diversification, a strategy that reflects the volume of the business communications capacities in the transatlantic leased circuits. In Telefónica's scenario the traffic of the U.S. company will be divided in two streams, one going to their European headquarters and other to Spain where by using the new fiber-optic network it will be routed to a "hub" in Spain. From this hub it can access the rest of the European offices simultaneously with the lines from the primary "hub". This structure will provide the U.S. company with a safer communication network than the classic single, "big pipe" approach.

Telefónica USA can be instrumental in providing vital communication services to US companies that are either establishing or expanding their operations in Spain. Telefónica is currently working with MCI and ATT in the interconnection of Telefónica's IBERCOM to the VNET service of MCI and to the GSDN service of ATT. Virtual Private Networks allow, among other things, a company to dial any extension in any of its branches with an abbreviated 7 digit number independently of its location. This will be possible now from and to Spain so that a U.S. company can dial its subsidiary in Spain as if it were a local call to any other location in its private network. This service can also be a definitive plus when a U.S. company is considering to establish operations in Spain.

Telefónica's
FIVE-YEAR PLAN 1990-1994

- **$30 Billion Investment in Network improvement**
- **40 telephones per inhabitants**
- **17 million lines installed**
- **82% of trunk lines to be digital**
- **56% of local lines to be digital**

Telefónica's involvement in Latin America will result in additional opportunities to serve the U.S. customer not only in Spain and Europe but also in an area where typically U.S. companies have difficulties in operating. Not only is Telefónica now managing some telephone companies in the area but it has direct operational relationships with all the telephone companies in Latin America. This may result in some cases in projecting more a clout with the U.S. customer when trying to obtain resolutions on certain issues, than with the local telecommunications operator. Ω

ADOLFO SUAREZ *is the General Manager and Marketing Director for Telefónica USA in New York City.*

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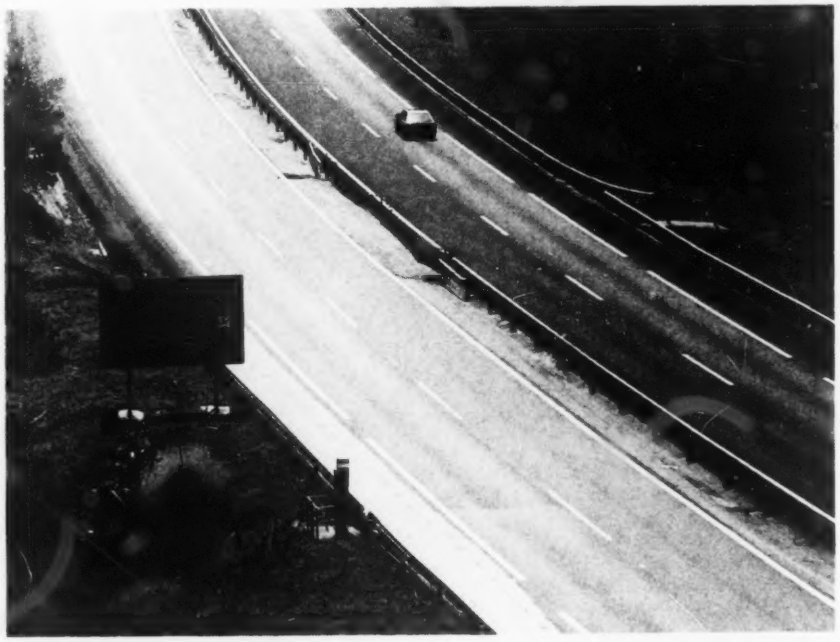
Europistas and the Motorway Industry in Spain

Established in 1968 to undertake the construction, maintenance and operation of the toll motorway running between Bilbao and Behobia, Europistas has the unique advantage of being provided special loans from the State

BY RESEARCH ASSOCIATES

In 1989 the Spanish motorway industry produced revenues of ptas. 74.6bn ($746m) and cash flow of Ptas. 22.6bn. The sharp increase in toll revenues (+16%) was a result of rapid traffic growth and, to a lesser degree, of tariff revisions. Thus, the industry has recorded strong growth for three years in a row.

The motorways' most important cost factor is interest expenses (aggregate of Ptas. 33.2.bn, or 45% of toll revenues for the industry in 1989). Foreign exchange differences on the industry's sizeable external borrowings are covered be the State, although companies (except the weakest ones) are forced now to fund their refinancings in relatively expensive Ecus due to its stability vis-a-vis the Spanish peseta.



Industry Indebtedness in Decline

The industry is posed for a moderate but sustained growth. Milder traffic density is presently being offset by increased tariffs. The ability to increase tolls as needed should be considered a positive development now that the inflation-linked mechanism makes tariff adjustments a technical rather than a political decision. Price sensitivity remains an issue, although much of its impact depends on there being alternative roadways. In this sense, the complementary nature of the toll-free highway network should be considered a bonus rather than a threat to the to the existing toll motorways. From a financial perspective, although leverage is still high, formal indebtedness has already peaked and is being reduced gradually.

The market capitalization of the four motorway companies which are publicly traded, including Acesa, Europistas,

Comparative Results as of 12/31/89 (Ptas. million)

Concessionaire	*Toll Revenues*	*Net Income*	*FFO*	*Tangible Net Worth*	*Financial Leverage*
Acesa	30,641	11,259	15,589	101,368	0.6
Aumar	17,277	6,663	8,191	76,008	1.6
Avasa	8,317	625	1,052	25,202	3.3
Europistas	**6,911**	**2,528**	**2,683**	**30,309**	**1.0**
Iberpistas	4,051	244	2,418	25,434	0.5
Audasa	2,662	(1,933)	(1,674)	17,713	4.5
Eurovías	2,157	(306)	(722)	9,101	4.2
Aucalsa	1,335	(3,788)	(3,720)	24,448	3.0
Audenasa	1,228	0	(1,221)	17,392	1.7
Total	74,579	15,292	22,596	326,975	1.6

Source: RESEARCH ASSOCIATES

Aumar and Iberpistas, amounted to Ptas. 232bn, down 15% since the beginning of the year (against a 27% drop in the general index). Given the utility nature of the business (straightforward operations with more or less predictable returns) no large swings in value should be expected. In addition to being a defensive investment, dividend yield is attractive considering the additional enticement of an upswing in value once the markets return to normal conditions. Also, the price-earnings and price-cash flow multiples are not very demanding.

Europistas Receives Non-Interest Cash Advances

Europistas was established in 1968 to undertake the construction, maintenance and operation of the motorway running between Bilbao and Behobia at the French/Spanish border. The motorway concessionaire comprises a total of 106Kms. and will be handed over to the State in 2003. Europistas' major shareholders are Ferrovial, the large Spanish construction company (27%), C.A. Municipal de Bilbao (6.5%), C.A. Vizcaína (8%) and C.A. Municipal de San Sebastián (6%). On September 1988, Europistas shares were listed in the Madrid and Bilbao stock exchanges.

One of Europistas distinct features is that the State provides cash advances equivalent to the difference between toll revenues corresponding to an average daily traffic volume of 19,800 vehicles and those actually recorded, provided the gap does not exceed 2,500 vehicles per day. These advances take the form of non-interest bearing refundable loans, repayable with surpluses generated when the average daily intensity exceeds 20,800 vehicles. This hurdle is not expected to be reached before 1993, as traffic intensity for the motorway industry as a whole has in fact slowed down in 1990 and prospects for a sudden upsurge are not foreseen. State advances which amounted to Ptas 946m could be considered as pure windfall profit given that from a financial point of view, the company could very well do without them.

Toll Highway Industry Profile

Concessionaires	*Itinerary*	*Kms.*	*%*
Acesa	Zaragoza-Barcelona-La Jonquera	509	27.2%
Aumar	Tarragona-Valencia-Alicante	468	25.0%
Avasa	Bilbao-Zaragoza	294	15.7%
Europistas	**Bilbao-Tudela**	**106**	**5.7%**
Audenasa*	Irurzun-Tudela	99	5.3%
Audasa*	El Ferrol-Portuguese Border	97	5.2%
Aucalsa*	Campomanes-León	87	4.6%
Eurovías	Burgos-Armiñón	84	4.5%
Iberpistas	Villalba-Adanero	70	3.7%
Autema	Terrassa-Manresa	34	1.8%
Túnel del Cadí	Spain/French Border	23	1.2%
Total		1,871	100.0%

**Enausa Group.*

Source: MOPU/RESEARCH ASSOCIATES

One important limitation for Europistas is that the company cannot increase dividend payments above 10% of share capital while receiving State advances. Furthermore, in case of any profit distribution above 15% of share capital, 50% of the excess must be allocated to a special reserve.

Tariff Adjustments Helps Revenues

Toll revenues increased 18% in 1989, as traffic volume recorded a 14% increase for a second year in a row. This implied an average daily intensity of more than 15,300 vehicles, comprising 74% of the average number of vehicles beyond which no further subsidies are to be provided. Although the company had projected to reach the 20,800 vehicle hurdle as early as 1991 (in view of buoyant traffic growth rates), such prospects are being reconsidered given the marked slowdown in traffic volume being registered this year.

In terms of revenues, however, the 10.2% tariff decision effected in November 1989, together with the 9.2% tariff adjustment introduced on April of this year, will help sustain revenues for 1990. Overhead costs have been edging upward (24% of revenues in 1989 against 22% in 1988) as tariff increases have been tracing inflation in the past. This trend will be reversed given the new tariff adjustment mechanism already in force. In any case, overhead costs remain at a manageable level and pose no excess burden to the company's profitability.

Although Europistas' shares traded below face value at year-end 1988, the stock recovered during most of 1989, performing better than the Madrid general index (12% revaluation). Dividend payments already reached 10% of share capital in 1989 which means that should the company decide to increase profit distribution over and Ptas. 950m ($10M) which are taken as current income for the period. However, if traffic growth falls down sharply (as seems to be the case this year) Europistas' may have to reassess the convenience of foregoing extra income (which can be applied to reduce debt) in exchange of increasing dividend payments.

Europistas' share price has fallen 6% since the beginning of the year, compared to a 27% drop in the general index. This certainly highlights the defensive nature of motorway stocks.

Europistas' operating cash flow continues to edge ahead, comprising a solid 40% of toll-revenues. Tariff adjustments will partly compensate for the current slowdown in traffic, whose rate of growth will be difficult to maintain. The tariff revision mechanism introduced this year assures, however, that toll revenues will not be tracing inflation.

Summing up, Europistas is a profitable company with an adequate financial structure. It remains creditworthy on a stand alone basis, which means that it can forego State subsidies without jeopardizing its financial position. From an investor's perspective, Europistas presently trades at low multiples. Minimum dividend payment of 10% over par is virtually assured given the nature of the motorway's operating cycle which is very straightforward. At current share prices, dividend yield based on estimated results for 1990 is nearly 10%, a good return if we consider the additional possibility of price revaluation. Ω

Europista's Financials

Highlights (Ptas. Million)	*1988*	*1989*	*1990E*
Toll Revenues	5,860	6,911	7,500
Net Income	2,342	2,528	2,700
Funds from Operations	2,398	2,683	3,900
Total Assets	61,120	60,636	60,000
Total Liabilities	30,522	30,000	30,400
Tangible Net Worth	30,199	30,309	30,400

Source: ANNUAL REPORTS/RESEARCH ASSOCIATES

RESEARCH ASSOCIATES *is a Madrid-based marketing and financial research consulting firm. For any questions regarding this report or other industries and companies in Spain, please contact Jaime Mariategui at 341-522-2247. The address is Calle Prim, 5, 28004, Madrid, Spain.*

New Cabinet Shuffle

Spain's Council of Ministers, including six new recently appointed ministers, has approved the selection of six appointees to fill several posts in various governmental departments. Among these new appointees, two have very close ties with the Minister of Economy, Mr. Carlos Solchaga. They are Antonio Zabalza, the new Secretary of the Internal Revenue Service (Hacienda); and Miguel Angel Feito, the new Secretary of Commerce. Other appointments include: Carlos Westendorp, Secretary of State to the European Community; Francisco Javier Landa, Secretary General of Commerce; Miguel Cuenca Valdivia, new Vice President of INI; and George Sevilla, Secretary of the Department of Agriculture.

Structure of the New Cabinet

PRESIDENT	Felipe González (*)
VICE PRESIDENT	Narcís Serra (*)
FOREIGN AFFAIRS	Francisco Fernández
DEFENSE	Julian García Vargas
INTERIOR	José Luis Corcuera
ECONOMY	Carlos Solchaga (*)
SOCIAL SECURITY	Luis Martínez Noval
PUBLIC ADMINISTRATION	Juan Manuel Eguiagaray(**)
INDUSTRY, COMMERCE, TOURISM	Claudio Aranzadi
EDUCATION	Javier Solana (*)
CULTURE	Jordi Solé Tura (**)
JUSTICE	Tomás de la Quadra (**)
HEALTH	Julian García Valverde (**)
PUBLIC WORKS	José Borrell (**)
AGRICULTURE	Pedro Solbes (**)
SUPREME COURT RELATIONS	Virgilio Zapatero
SOCIAL AFFAIRS	Matilde Fernández
GOVERNMENT SPOKESPERSON	Rosa Conde

* *Ministers that remain from the first government*

** *New ministers*

Las Empresas de Conservas Vegetales en España

El sector conservero se halla ante una importante transformacíon pero con un gran crecimiento por delante

POR ANDREAS KANTHER Y SALVADOR RUIZ

Las empresas de conservas vegegetales conforman un sector industrial de especial relevancia para determinadas regiones españolas como las Comunidades Autónomas de Murcia y Navarra, en las cuales se hallan ubicadas 8 de las 10 mayores empresas españolas del sector. A nivel nacional, su importancia provoca que España sea el quinto productor de conservas vegetales de la CEE, y el primero en algunos productos como en el caso del tomate.

El sector de las conservas vegetales se halla altamente fragmentado, con un elevado número de pequeñas y medianas empresas, y en el que las 10 mayores sólo alcanzaban una cuota de mercado del 25% en 1988. Las principales causas de esta fragmentación han sido, por un lado, las bajas barreras de entrada, y, por otro, la ausencia de economías de escala significativas o curva de experiencia.

A continuación se analizan brevemente las fuerzas competitivas del sector según el esquema de Michael E. Porter, para caracterizarlo a nivel nacional.

En primer lugar, de las amenazas al ingreso que se perciven en el sector, puede afirmarse que son muy elevadas, debido fundamentalmente a la existencia de unas bajas barreras de entrada y de una pobre reacción por parte de los competidores. Estas bajas barreras de entrada son consecuencia de una escasa diferenciación del producto en más del 90% de las empresas (PYMEs que no invierten en esta actividad), unos bajos costes por cambios de proveedores, y la existencia de unos importantes incentivos a la creación de nuevas empresas por parte de la Administración española y de la CEE.

Una segunda fuerza competitiva es la intensidad de la rivalidad entre competidores, que es baja entre las empresas pequeñas a causa de su elevado número y su escasa capacidad de inversión, y tampoco es muy importante entre las grandes por la alta diferenciación de sus productos. El elevado crecimiento del sector (la producción aumentó un 100% entre 1978 y 1985), y los bajos costes por cambios de proveedores, son otros factores que determinan asimismo esta escasa rivalidad.

El sector conservero afronto un nuevo reto

Podemos afirmar que la presión que ejercen los productos sustitutivos es alta. Las frutas frescas son un fuerte competidor por sus mejores condiciones de almacenaje y transporte. También se están produciendo cambios en los productos preferidos por los consumidores en el desayuno (cereales en lugar de mermeladas...), y en los postres (para los cuales existen importantes sustitutivos, como los dulces, las frutas frescas...).

En lo referente al poder negociador de los clientes, éste es bastante elevado. La importancia de los supermercados como distribuidores de productos alimenticios ha aumentado considerablemente en los últimos años, por sus grandes volúmenes de pedido. La diversidad de productos con que operan hace que la importancia de este producto para los clientes sea baja, así como su rentabilidad. Una manifestación de este poder negociador es la proliferación de "marcas blancas" (marcas del distribuidor) con las que los distribuidores tratan de potenciar su imagen de marca aprovechando la infraestructura de las empresas conserveras.

El poder negociador de los proveedores ha sido tradicionalmente bajo, pero en los últimos años se ha experimentado en España un cierto aumento de la comercialización asociativa agraria, sobre todo a partir de la integración en la CEE. Prueba de ello lo constituye el rapido crecimiento, en tamaño y número, de Organizaciones de Productores de Frutas y Hortalizas (OPFH) en las principales regiones productoras. La adquisición de productos agrarios representa el 30% del coste de los productos terminados, lo cual, unido al aumento del asociacionismo, constituye una amenaza a la integración hacia adelante de las empresas asociativas agrarias para acceder a procesos de producción de conservas vegetales.

Finalmente, se está produciendo un cierto grado de internacionalización. Ello se manifiesta en la creación de oficinas comerciales por parte de las grandes empresas en algunos de los países en los que exportan.

Todo ello hace que el sector de conservas vegetales constituya un sector dinámico con profundas transformaciones en su estructura interna, tendentes a favorecer un rapido crecimiento y una capacidad competitiva a nivel internacional. Ω

ANDREAS KANTHER Y SALVADOR RUIZ DE MAYA, *Licenciados en Ciencias Económicas y Empresariales. Facultad de Ciencias Económicas y Empresariales de Murcia.*

REPORTAJE ESPECIAL

EL Estado de Nueva York: Oportunidades más allá de los Rascacielos

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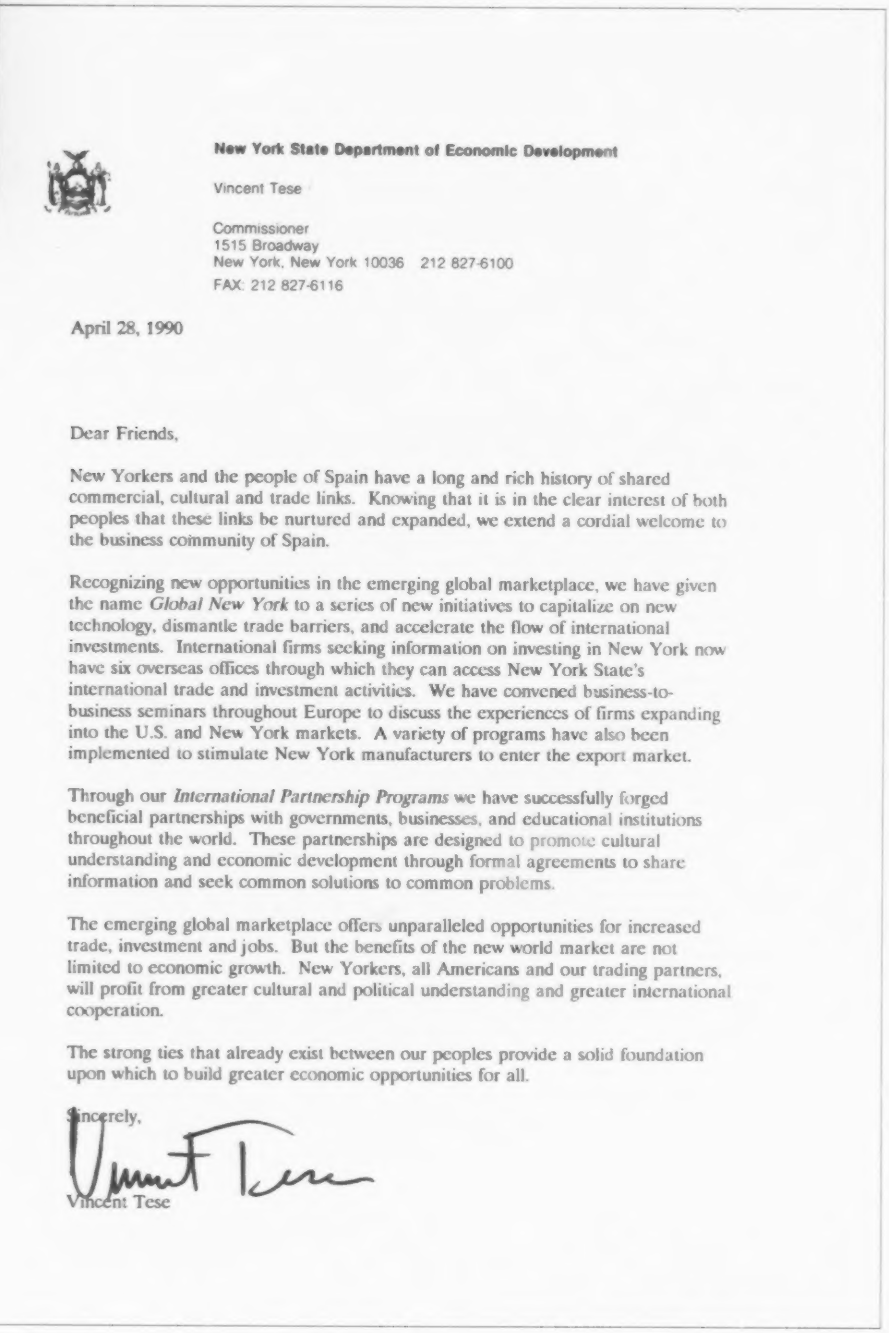
REPORTAJE ESPECIAL



New York State Department of Economic Development

Vincent Tese

Commissioner
1515 Broadway
New York, New York 10036 212 827-6100
FAX: 212 827-6116

April 28, 1990

Dear Friends,

New Yorkers and the people of Spain have a long and rich history of shared commercial, cultural and trade links. Knowing that it is in the clear interest of both peoples that these links be nurtured and expanded, we extend a cordial welcome to the business community of Spain.

Recognizing new opportunities in the emerging global marketplace, we have given the name *Global New York* to a series of new initiatives to capitalize on new technology, dismantle trade barriers, and accelerate the flow of international investments. International firms seeking information on investing in New York now have six overseas offices through which they can access New York State's international trade and investment activities. We have convened business-to-business seminars throughout Europe to discuss the experiences of firms expanding into the U.S. and New York markets. A variety of programs have also been implemented to stimulate New York manufacturers to enter the export market.

Through our *International Partnership Programs* we have successfully forged beneficial partnerships with governments, businesses, and educational institutions throughout the world. These partnerships are designed to promote cultural understanding and economic development through formal agreements to share information and seek common solutions to common problems.

The emerging global marketplace offers unparalleled opportunities for increased trade, investment and jobs. But the benefits of the new world market are not limited to economic growth. New Yorkers, all Americans and our trading partners, will profit from greater cultural and political understanding and greater international cooperation.

The strong ties that already exist between our peoples provide a solid foundation upon which to build greater economic opportunities for all.

Sincerely,

Vincent Tese

REPORTAJE ESPECIAL

El Embajador de España

Washington, D.C., 28 de abril de 1991

Estimados amigos:

La accesión de España a la CEE y la importante apertura de mercados europeos que se producirá en 1992 hace lógico y necesario que la atención de nuestros empresarios se concentre en Europa. Sería, sin embargo, un grave error que desconocieran la favorable coyuntura que, al mismo tiempo que en Europa, se ofrece ahora al empresario español para penetrar en el mercado de los Estados Unidos, que, después de todo, sigue siendo el primer mercado homogéneo del mundo. Los empresarios españoles que aprovechen las condiciones tan favorables que se presentan ahora en los Estados Unidos se felicitarán en el futuro de los beneficios de su iniciativa.

Naturalmente, cualquier apertura y desarrollo de nuevos mercados exige cierta inversión. Distancia, tradición, comunicaciones, afinidad de caracteres y hasta incluso la diferencia horaria, hacen más fáciles los negocios con la Costa Este. La gran puerta comercial y financiera a los Estados Unidos por la Costa Este es, sin duda, Nueva York.

El objetivo de este reportaje es darles a conocer las inmensas posibilidades comerciales e industriales de uno de los mayores, más atractivos y variados estados de la Unión, cuya personalidad se ve a menudo difuminada por la impresionante capacidad de atracción de la metrópoli que da nombre al Estado. El estado de Nueva York aglutina las ventajas que ofrecen las zonas rurales en términos de coste y espacio, pero a corta distancia de uno de los núcleos de comunicación más importantes del mundo.

Será motivo de auténtica satisfacción por parte de esta Embajada, el que esta introducción les anime a una nueva mirada, más fresca e interesada si cabe, para desarrollar nuevos negocios con EE.UU a través del estado de Nueva York.

Atentamente,

Jaime de Ojeda

El Estado de Nueva York en síntesis

DATOS ESTADISTICOS
Población:
1990- 17,773,000
2000- 18,139,000
Tasa de paro (1989): 5.1%
Impuesto de Sociedades:
10.3% o 8%, según el tamaño de la empresa.
Producto Estatal Bruto (1986):
$362,736,000
Edad media población: 33.8

INDUSTRIAS TRADICIONALES
- Sedes corporativas
- Industria de servicios
- Instituciones financieras
- Manufacturas
- Confección

INDUSTRIAS OBJETIVO
- Turismo
- Productos agrícolas
- Alta tecnología
- Pequeños negocios

ORGANIZACIONES DE DESARROLLO ECONOMICO

Oficina del Gobernador
Gov. Mario M. Cuomo
State Capitol
Albany, NY 12224
(518) 474-1041

New York Department of
Economic Development
One Commerce Plaza
Albany, NY 12245
Contacto: Vincent Tese,
Director
(518) 474-6950
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1515 Broadway, 52nd Floor
New York, NY 10036
(212) 930-9000

La base económica del Empire State abarca un amplio espectro, tanto por su diversidad como por su tamaño. En 1989 se contabilizaron 456,342 negocios con una masa laboral de 8,552,000 personas. Ampliamente dominado por las empresas de servicios, el área de la ciudad de Nueva York es tradicionalmente el centro financiero del país. Nuevas iniciativas del estado, con el objetivo de contrarrestar las recientes disminuciones de la economía del noreste, vuelven por parte del Gobernador Cuomo y de la legislación de financiación. Desde el Acuerdo de Libre Comercio, Nueva York está incrementando su intercambio comercial y la inversión en capital por parte de Canadá.

FINANCIACION ESTATAL

Como entidad de beneficio público del Estado de New York, autorizada por una enmienda constitucional aprobada en 1961, el New York Job Development Authority (JDA) ha ayudado a más de 1900 empresas a expandirse a lo largo del estado. Aproximadamente 150,000 personas están actualmente trabajando en empresas asistidas por préstamos directos del JDA. El objetivo de este organismo es promover, animar y desarrollar la prosperidad y bienestar económico de los habitantes de New York, a través de la mejora de las oportunidades de empleo.

El JDA, como banco de desarrollo económico del estado de New York, provee préstamos de bajo interés y préstamos avalados para ayudar a empresas a expandirse, construir nuevas plantas y adquirir maquinaria y equipamiento.

INVESTIGACION Y DESARROLLO

Existen nueve Centers for Advanced Technology de creación estatal que trabajan para fomentar la cooperación y asociación productiva entre empresas, universidades y gobierno. El Center for Industrial Innovation en el Rensselaer Polytechnic Institute de Troy, cuenta con varios institutos de investigación tecnológica directa bajo su cobertura. La Universidad de Cornell ofrece a las empresas de base tecnológica acceso a su macroordenador, uno de los cinco existentes en los Estados Unidos, a través del Cornell National Supercomputing Facility.

Para más información: New York State Science and Technology Foundation, (518) 474-4349.

EDUCACION

El Empire State sobresale por sus 333 colleges, cifra superior a la de cualquier otro estado en los EE.UU. Más de un millón de estudiantes están inscritos en programas de graduado y postgraduado. La Universidad del Estado de Nueva York comprende 77 colleges y universidades.

New York está situada en segunda posición en cuanto a gasto en educación pública de los EE.UU., con una media de 7,338 $ por alumno. En 1989, el 93.4% de los matriculados en estudios preuniversitarios obtuvieron su título.

PUERTOS

El interestatal Port of New York and New Jersey es uno de los centros de embarque más importantes en los Estados Unidos. El St. Lawrence Seaway, el Port of Albany provee rutas tanto inter como intraestatales, así como acceso al Oceano Atlántico para el comercio de los Grandes Lagos.

AGRADECIMIENTOS
The Business Link *agredece la colaboración ofrecida para la realización de este reportaje, por parte de: Theresa Walker, PhD, New York State Science and Technology Foundation; Job Development Authority; The Port Authority of NY and NJ; The New York State Department of Economic Development; Banco Español de Credito.*

Iniciativas del Estado de Nueva York, Punteras en un Nuevo Mercado Global

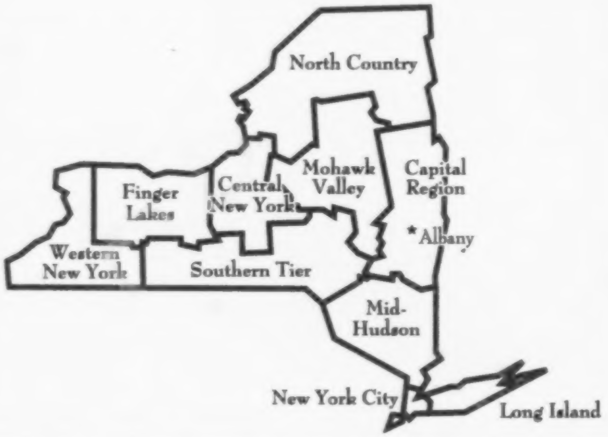
El estado de Nueva York está desarrollando una política de promoción de nuevas inversiones en el área, mediante una serie de atractivos programas en el marco del "Global New York"

El estado de Nueva York, sede de más sociedades extranjeras que ningún otro estado norteamericano, se ha consolidado ya como el "estado internacional". No obstante, el desmantelamiento de las barreras comerciales, la creciente frecuencia de flujos financieros y la integración de las economías mundiales hacen que este estado no pueda dormirse en los laureles. En consecuencia, se han desencadenado actividades a fin de permitir retener esta posición privilegiada. En los últimos 12 meses, Nueva York ha tomado iniciativas con nuevos programas para incrementar el comercio en el marco del "Global New York", que facilitan a compañías extranjeras la inversión en el estado, y ayudan a las empresas del área a participar en la economía mundial.

Este estado cuenta con una tradición bicentenaria de acogida y servicio al comercio internacional, respondiendo siempre a las necesidades de negocio en todo el mundo. Nueva York fue el primer estado en disponer de oficinas en el extranjero con la finalidad de asesorar a la comunidad internacional, contando hoy con seis — en Londres, Frankfurt, Tokyo, Hong Kong, Toronto y Montreal. A través de éstas se asesora a empresas extranjeras interesadas en invertir en plantas industriales o equipamiento en el estado. Con otras diez oficinas situadas en territorio neoyorquino, se ayuda a las empresas a expansionar las ventas y ampliar las actividades en otros mercados.

La apertura internacional del estado se encauza mediante programas públicos que coordinan un gran número de actividades exteriores realizadas por los ciudadanos y asociaciones. Nueva York es un estado que cuenta con una rica y heterogénea herencia cultural, debido a la diversidad de comunidades internacionales que controlan periódicos, televisión, radio, iglesias, centros culturales e incluso escuelas secundarias en distintas lenguas, así como a los vínculos históricos que mantiene con una amplia variedad de culturas hispánicas, y que hacen del español el segundo idioma del estado.

Cuando una compañía extranjera se registra para desarrollar su actividad en Nueva York, es inmediatamente considerada empresa neoyorquina, pudiendo acceder a todos los beneficios fiscales y financieros posibles. Tiene



El Estado de Nueva York

también acceso a una amplia gama de programas de reciclaje profesional y desarrollo económico con bajos costes, así como a los programas y servicios que se implementan en el marco del "Global New York".

El objetivo de desarrollo económico contenido en el "Global New York" consiste en ofrecer la posibilidad de ventas globales a empresas manufactureras y de servicios situadas en Nueva York. Muchos de estos programas van dirigidos a pequeñas y medianas empresas con recursos limitados y que aspiran a jugar un papel en el mercado internacional, ya que el 60% de las empresas exportadoras cuentan con menos de 100 trabajadores. Los elementos clave del "Global New York" incluyen servicios de asesoramiento de marketing de exportación (export marketing assistance services), educación y consultoría de exportación (export education and counseling), un programa internacional para ferias de muestras (trade show program), la publicación del *Boletín de oportunidades de exportación (Export Opportunities Bulletin)*, que contiene listas mundiales de comerciantes, y la creación de corporaciones compartidas de ventas exteriores (shared foreign sales corporations).

El "Export Education and Counseling" ofrece servicios diseñados para empresas del estado que desaprovechan oportunidades de venta en el exterior al no estar al corriente de las posibilidades de sus productos en el mercado mundial, o de las formas de penetración en los mismos. El estado organiza, co-sponsoriza y dirige entre 40 y 70 seminarios al año, a todos los niveles profesionales desde principiantes a avanzados, para preparar ejecutivos y empresarios en las últimas tendencias y métodos de exportación.

Se ofrece también la posibilidad de contactar con especialistas estatales en comercio internacional para consultas individuales o colectivas relativas a temas de exportación. Si se cree disponer de posibilidades en el mercado mundial para los productos o servicios de la empresa, puede sacarse partido de la asistencia técnica, pericia y experiencia de estos especialistas. Se facilita información sobre estos seminarios y posibilidades de asesoramiento por vía telefónica o a través de cualquiera de las oficinas regionales en el estado.

El "Trade Show" internacional proporciona una vía innovadora y económica de acceso a productos y servicios en los mercados exteriores. En lugar de contratar un stand individual, difícil y caro para muchas empresas, un especialista en comercio internacional del estado, promociona el producto de forma más organizada y en más lugares. Cientos de pequeñas y medianas empresas se han beneficiado de esta forma de participar en ferias de muestras de ultramar.

El estado de Nueva York toma parte en una media de diez ferias internacionales al año. Cuando una de éstas es seleccionada, el estado alquila un stand, de lo que se informa a los manufactureros neoyorquinos, seleccionando el estado aquellos productos más acordes a la feria en cuestión. Se proporciona a los participantes información completa y asistencia en el desarrollo y preparación de catálogos y material para la feria.

Antes de la feria, el representante que tiene asignado el stand contacta con los manufactureros participantes, informándose de los productos que van a mostrarse y sus puntos fuertes. Este representante se escoge en función de su experiencia en la feria en particular y su conocimiento del idioma del lugar. En la feria se presentan los productos a los visitantes interesados y se obtiene la máxima información posible sobre los mismos. Por otro lado, puede contactarse con exhibidores vecinos que sean representantes locales o distribuidores de otros productos que no estén en competencia directa con los propios, y puedan ofrecer buenas perspectivas de negocio. Una vez finalizada la feria, se entregan a cada participante los nombres de empresas interesadas en sus productos, así como la respuesta obtenida por los mismos, y se asesora sobre las potencialidades futuras del mercado.

El *Export Opportunities Bulletin* es la herramienta clave en el esfuerzo del estado de Nueva York por promover el comercio bilateral, a través del cual se localizan propuestas en todo el mundo en busca productos y servicios. Se obtienen datos de estas empresas gracias a mailings directos a personas preseleccionadas y publicidad en

> **Cuando una compañía extranjera se registra para desarrollar su actividad en Nueva York, es inmediatamente considerada empresa neoyorquina, pudiendo acceder a todos los beneficios fiscales y financieros posibles**

medios seleccionados internacionalmente.

La efectividad de este sistema es indudable. Son muchas las compañías neoyorquinas que utilizan el *Boletín* como fuente primaria para incrementar sus ventas internacionales, consiguiendo grandes volúmenes en exportación (superior a 100 millones de dólares al año) gracias a propuestas publicadas en estas ediciones.

El programa "Shared Foreign Sales Corporations" (FSC) permite a empresas neoyorquinas expandir sus negocios al extranjero reduciendo costes e impuestos. Se trata de corporaciones de unos 25 exportadores, diseñado para promover acuerdos comerciales en mercados exteriores, reduciendo los costes empresariales y aumentando los beneficios fiscales, sin dejar de operar cada empresa en su propio ámbito.

Las ventajas son significativas. Participar en un FSC permite reducir en un 15% los impuestos federales a la renta en EE.UU. (en cuanto a los beneficios procedentes de la exportación), reduciendo también los costes, ya que es más barato compartir a establecer una corporación de ventas propia. Además, su uso evita perder tiempo y recursos aprendiendo a organizar y hacer funcionar una corporación de este tipo. Sólo es preciso inscribirse y seguir las instrucciones.

Cualquier exportador o profesional del estado de Nueva York puede participar en un FSC compartido. El Departamento estatal de desarrollo económico ayuda a formar grupos compatibles de exportadores, ayudándoles a iniciar la organización del FSC, y a reclutar nuevos participantes de ser necesario. Los participantes conservan completamente la confidencialidad de sus operaciones comerciales. Para garantizar esta confidencialidad, el estado se asegura de que empresas en competencia directa no coincidan en un mismo FSC. Los miembros no participan o comparten los beneficios entre sí, sino que se contabilizan de forma separada; tampoco les es aplicable ningun beneficio fiscal de otros miembros. Cada compañía es responsable de forma individual por sus acciones, sin compartirse con otros miembros. Ω

Puede obtenerse más información sobre el Global New York y Foreign Direct Investment Programs llamando a la División Internacional del New York State Department of Economic Development al teléfono (07-1-212) 827.62.00.

Exportaciones de Nueva York Hacia España

Codigo SIC	*INDUSTRIA*	*1987*	*1988*	*1989*
	Total Exportaciones	**$240.516.047**	**$311.895.862**	**$255.422.082**
37	Mat. de Transportes	76.486.400	63.190.995	59.829.004
35	Informática	49.808.443	63.032.875	38.657.630
99	Prod. no clasificables	19.059.342	17.932.718	35.226.367
36	Maq. y Mat. Electrónico	20.031.980	38.816.990	33.681.768
38	Industria de Precisión y Optica	21.884.056	23.788.340	19.731.751
28	Industria Química	14.357.816	17.054.086	13.785.030
23	Textil y otros prod.	1.182.817	3.860.644	7.837.678
20	Alimentación, bevida y tabaco	9.771.806	1.727.190	5.826.994
29	Petróleo	814.298	1.522.136	5.210.426
24	Madera	3.863.453	11.034.501	4.707.718
39	Productos Variados	1.874.380	5.123.218	4.483.802
27	Editoriales e imprenta	727.867	1.090.403	3.783.791
34	Prod. Metálicos y Minerales	3.133.990	2.858.529	3.034.865
33	Siderurgia	1.166.375	3.675.798	2.848.001
2	Productos Agrícolas	4.388.732	2.108.257	2.738.303
22	Textiles	615.736	2.165.024	2.663.315
32	Vidrio	1.628.991	2.700.065	2.357.032
26	Papel y Artes Gráficas	1.494.654	2.882.727	2.025.612
30	Plásticos y Caucho	1.070.354	1.570.019	1.965.956
91	Productos Residuales	3.135.910	2.261.662	1.801.687

FUENTE: *División Internacional del New York State Department of Economic Development*

JDA

NEW YORK STATE'S
ECONOMIC DEVELOPMENT
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GLOBAL NEW YORK

Global New York embraces the multiple economic development initiatives of the State, and includes training, education and cultural awareness. The New York Job Development Authority helps fulfill this global commitment by supporting high technology manufacturers; exporters and companies owned by foreign investors.

Through the XPORT Program, JDA has assisted companies in 16 counties with exports to 21 countries around the globe.

JDA uses no State appropriations.

State of New York

Mario M. Cuomo
Governor

New York Job Development Authority
Vincent Tese, Chairman
Robert T. Dormer, President

605 Third Avenue
New York, NY 10158
(212) 818-1700
FAX: 682-1476

One Commerce Plaza
Albany, NY 12210
(518) 474-7580
FAX: 474-6813

Cooperación Gobierno-Universidad-Industria: Los CAT

Los Centros de Tecnología Avanzada (CAT) permiten a las empresas rentabilizar las investigaciones realizadas por las universidadas neoyorquinas

Reconociendo el hecho de que una colaboración activa entre industria y universidad, en investigación básica y aplicada, es esencial, el estado de New York se percató de lo que la innovación tecnológica suponía para el potencial de crecimiento del estado, por lo que creó en 1982 un programa para la creación de Centros de Tecnología Avanzada (Centers for Advanced Technology, CAT).

Tradicionalmente, las universidades han estado trabajando con fines básicos de investigación y desarrollo, motivado principalmente por la curiosidad. Las empresas por contra, han estado centrando sus recursos en un fin opuesto, que es el desarrollo de un proceso o producto generador de beneficio. Esta situación deja un gran vacío entre la generación de ideas y su aplicación con fines prácticos. Este es precisamente el objetivo del programa CAT, desarrollado por el estado de New York para ayudar a cerrar el vacío existente.

Los principales objetivos del programa CAT son: introducir elementos que centren la atención en el potencial de programas de investigación seleccionados para aplicaciones industriales; acelerar aplicaciones comerciales de nuevas tecnologías; familiarizar a los investigadores universitarios y a los ingenieros con prioridades y problemas industriales; y promover la comunicación y cooperación entre la industria y la universidad.

Para llevar a cabo el programa, la New York State Science and Technology Foundation identificó en primer lugar, las areas tecnológicas apropiadas en relación con aquellas industrias con un significante potencial de crecimiento y productividad en el estado. Según un estudio dirigido por los Laboratorios Battelle Columbus de Ohio, la Fundación identifica las siguientes areas tecnológicas: automatización y robótica; biotecnología aplicada a agricultura; sistemas de informatización y ordenadores; terapeútica y diagnóstico médico; artefactos e instrumentos médicos; óptica, semiconductores y circuitos integrados; y telecomunicaciones.

Cada centro puede recibir hasta un millón de dólares anuales por parte de los fondos del estado, obteniendo una suma aproximadamente igual por otras fuentes, principalmente la industria privada.

El programa CAT está concebido como una inversión a largo plazo por parte del estado de New York. No obstante, en los primeros siete años ya se han hecho evidentes resultados tangibles. Por ejemplo, 53 patentes han sido ya premiadas y 33 licencias tecnológicas están siendo ya empleadas.

Para alcanzar todos estos objetivos del programa CAT, los centros han establecido una variedad de programas de investigación y desarrollo, educación y transferencia de tecnología.

COLUMBIA UNIVERSITY: El Centro de Tecnología Avanzada en Ordenadores y Sistemas de Información (CAT-CIS). Se dedica al desarrollo del software, y de componentes del hardware. Entre los principales procesos que se están llevando a cabo, están el estudio de los defectos en la tolerancia de sistemas a gran escala; sistemas de proceso de transacciones distribuidas a gran escala; e investigación en computación paralela sólida.

CORNELL UNIVERSITY: Centro de biotecnología en agricultura. La misión del programa de investigación CAT de Cornell sobre biotecnología en agricultura, trata de descubrir y desarrollar productos y procedimientos en la área de biología molecular de plantas; bioproceso de ingeniería; receptores de superficie de células animales; y la estructura y función de proteínas y encimas. La meta del Centro se basa en contribuir de una forma sustancial a la industria agrícola del Estado de Nueva York, a través de esfuerzos enfocados hacia áreas de necesidad agrícola, intentando que las soluciones a los problemas agrícolas tengan un impacto mínimo en el medio ambiente.

POLYTECHNIC UNIVERSITY: El Center for Advanced Technology in Telecommunications (CATT). Desempeña un papel crítico en el desarrollo del complejo "Metrotech" que se lleva a cabo actualmente en Brooklyn con un coste de 1 billon de dólares.

El CATT es un consorcio dirijido por el departamento de investigaciones de la Universidad Politécnica. Este consorcio está agrupado en tres areas cuyos enfoques principales son: materiales (semiconductores, uniones heterogéneas para aplicaciones opto-electrónicas entre otros); artefactos (red de radios locales, interruptores ópticos); y sistemas (optimización de redes de banda amplia, control y dirección de redes).

SYRACUSE UNIVERSITY: El Computer Applications and Software Engineering (CASE) Center. Dispone de un variado programa de investigación, educación y transferencia de tecnología que engloba a más de una docena de instituciones académicas y aproximadamente 50 empresas.

Este proyecto conjunto ha llevado a nuevos desarrollos que han sido incorporados por las empresas que patrocinan y apoyan el proyecto. Un ejemplo de dicha colaboración es el uso por parte de Niagara Mohawk Power Corporation, de un sistema de inteligencia artificial para analizar los patrones meteorológicos y ajustar la producción de enegía en tiempo real.

> El programa trata de espolear la colaboración con organizaciones internacionales y apoyar la transferencia de tecnología clave hacia mercados extranjeros

* * *

UNIVERSITY OF ROCHESTER: El Center for Advanced Optical Technology (CAOT). Agrupa un amplio programa de investigación sobre el análisis, alteración, formación y uso de la luz. Los campos de investigación prioritaria se centran en fibras ópticas y ópticas integradas, fabricación óptica, sistemas opto-electrónicos para sistemas de reconocimiento de imagenes, visión robótica e instrumentos y materiales de comunicación óptica avanzada.

STATE UNIVERSITY OF NEW YORK (SUNY) AT BUFFALO: Instituto de Aparatos e Instrumentos Sanitarios. Uno de los temas principales en el uso de instrumentos médicos, tales como implantes dentales, válvulas cardíacas y prótesis artificiales trata de predecir la reacción del cuerpo humano a cuerpos extraños. Los programas de investigación intentan estudiar las propiedades de la superficie de los materiales a emplear en estas aplicaciones de materiales de uso médico, desarrollando técnicas que permitan entender tales interacciones de las proteínas, células y tejidos con los materiales artificiales.

STATE UNIVERSITY OF NEW YORK (SUNY) AT STONY BROOK: Centro de Biotecnología Médica. Una de las características de este centro está basada en el potencial comercial de sus proyectos. Aproximadamente el 50% de los proyectos de investigación del CAT comporta acuerdos de licensing con la industria privada.

CLARKSON UNIVERSITY: El Center for Advanced Material Processing (CAMP). Alberga una diversa colección de investigaciones multidisciplinarias entre las que sobresalen la preparación, procesamiento, evaluación y control de partículas finas, así como procesamiento de polímeros y metales, investigación sobre coloides, y crecimiento de cristales.

RENSSELAER POLYTECHNIC INSTITUTE: Centro de Tecnología Avanzada en Robótica y Automatización. Los nuevos programas de investigación alentados por el Instituto Politécnico, están centrados en el diseño e implementación de sistemas de automatización y robótica.

ALFRED UNIVERSITY: El Center for Advanced Ceramic Technologies. Ha contribuido ya en campos tecnológicos con numerosas empresas del estado de Nueva York. Un ejemplo de ello ha sido la aplicación de una patente utilizada por empresas sobre procesos de fabricación de cerámica vítrica para la elaboración de superconductores.

El proyecto CAT anima a empresas extranjeras a formar parte como miembros activos del mismo, permitiendo desarrollar alianzas empresariales entre ellos, y recibiendo asimismo los beneficios fiscales y financieros que ya disfrutan los miembros norteamericanos.

El Port Authority busca inversores: El "Proyecto Incubadora"

En su política actual de captación de nuevas inversiones, el Port Authority propone fórmulas atractivas a empresas extranjeras. Una de ellas es el llamado "Proyecto Incubadora". Con éste, tratan de atraer especialmente empresas españolas, ya que se lamentan de la no existencia de delegaciones de empresas de este país en su edificio más representativo: El World Trade Center.

REPORTAJE ESPECIAL

El Port Authority of New York and New Jersey es una organización gubernamental biestatal, dedicada a todo tipo de proyectos tendentes a la promoción del comercio de ambos estados. Su objetivo es llegar allí donde la iniciativa privada no llega, ya sea por falta de rentabilidad económica, por tratarse de proyectos con excesivas necesidades de capital, o, simplemente, por no realizarse a pesar de ser necesarios. Se trata de una organización de tipo cuasi-pública, que actúa fundamentalmente en dos campos, en el transporte interurbano entre los dos estados, y en el comercio.

En cuanto al transporte, su área de competencia comprende una circunferencia de 25 millas (unos 42 Km.) de radio alrededor de la Estatua de la Libertad, comprendiendo puentes, túneles, transporte terrestre, metro, ferry, y los [illegible]s aeropuertos de la ciudad.

En cuanto al comercio, participa en Proyectos de Desarrollo Comercial de la región, facilitando locales de negocios y suelo industrial en el interior de ambos estados. En lo referente al suelo industrial, promocionan polígonos del propio ente o de otras entidades públicas o privadas, en relación a las necesidades concretas de la empresa que desea establecerse. Estas áreas industriales cuentan con excelentes comunicaciones, facilidades de abastecimiento de matérias primas, y están dotadas de ámplias facilidades financieras e incentivos fiscales procedentes de las autoridades estatales.

Todo ello, unido a la existencia en el área de un mercado de 16 millones de consumidores en una circunferencia de 42 Km. de radio (con una cada vez mayor comunidad hispana entre los mismos), una área industrial que cuenta con 3.000 indústrias manufactureras, lleva a los ejecutivos del Trade Authority of New York and New Jersey a creer firmemente en las posibilidades de crecimiento de la inversión extranjera en sus entidades, pensando especialmente en las posibilidades que ofrece

España. Es en los sectores naviero y turístico donde se creen más factibles futuras inversiones españolas.

Proyecto Incubadora

En el edificio insignia del Port Authority, el World Trade Center, más conocido como las Twin Towers o Torres Gemelas, ha nacido el proyecto incubadora con el objetivo de facilitar las inversiones en locales comerciales, reduciendo asimismo el riesgo. Se trata de un edificio de 107 plantas, situado en el "Financial District" o barrio de los negocios de Manhatan. Se hallan ubicadas en el edificio 500 compañías distintas, americanas y extranjeras, principalmente japonesas y comunitarias. Sin embargo, aunque parezca extraño, no se halla ubicada en el mismo ninguna compañía española.El proyecto incubadora consiste en permitir alquilar pequeñas partes o parcelas de oficina, facilitando todos los servicios necesarios, como secretarias, fax, teléfono, mobiliario de oficina, etc. de acuerdo con las necesidades concretas del arrendatario. De este modo, una empresa que desee iniciar relaciones comerciales con Estados Unidos puede disponer de locales adecuados rápidamente, y adaptados a sus necesidades. Por otro lado, el riesgo de la inversión disminuye al reducir notablemente su montante y permitir la retirada sin costos adicionales. Pretende ser, pues, una plataforma de lanzamiento al mercado norteamericano.

La idea que propusieron, y creyeron más viable, de cara a compañías españolas, consistiría en el arrendamiento de una planta entera del World Trade Center (15.000 pies cuadrados, unos 1.400 m) por una empresa española, que organizara la planta, y la dotara de las peculiaridades requeridas por empresas españolas, así como de personal de habla hispana, realquilando pequeñas parcelas de la misma a otras empresas españolas que deseen implantarse en Estados Unidos mediante este sistema.

Esta adaptación de una planta del edificio a la "manera española de hacer negocios" sólo puede ser realizada, según los ejecutivos del Port Authority of New York and New Jersey, por una empresa española. En caso contrario, esa adaptación no estaría bien hecha, y el proyecto podría fracasar.

Otra idea que propusieron, y que podría ser también de interés para empresas e instituciones españolas, es la realización de exposiciones en el edificio. Este, dispone de una zona de exhibiciones, por la que pasan anualmente 1,5 millones de personas, procedentes de todo el mundo, para subir al edificio más alto de Nueva York. En el Port Authority están interesados en realizar una exposición sobre España, presentando productos españoles a los visitantes.

Es de destacar el interés que despierta España para ellos, y lo que les extraña la falta de empresas nacionales en el edificio. Enumeraron varias formas de colaboración, o de llegar a acuerdos con ellos, y se les ve muy receptivos a cualquier otra posibilidad que se les plantee. Ω

ALBERT ALMAZOR, *MBA Internacional por ESADE y actualmente en la Cámara.*

El Nuevo Convenio para evitar la Doble Imposición

Este nuevo convenio puede ser un nuevo y útil instrumento que potencie los intercambios comerciales entre ambos países

El pasado 22 de febrero de 1990 fué firmado en Madrid el nuevo "Convenio entre España y EE.UU. para evitar la doble imposición y prevenir la evasión fiscal respecto a los impuestos sobre la renta", publicándose en el B.O.E. el pasado 22 de diciembre de 1990.

Este Convenio está inspirado en el "Modelo de Convenio para evitar la doble imposición" de la OCDE de 1977, que ha sido utilizado durante las negociaciones. Sin embargo, se han introducido ciertas variaciones en el mismo, adoptádose algunos artículos procedentes del Convenio de las Naciones Unidas previsto para países con distintos niveles de desarrollo.

En cuanto a los sujetos, el Convenio es de aplicación a los residentes en España, en EE.UU. o en ambos países a la vez, aunque permite, con algunas excepciones, hacer contribuir a los nacionales o residentes de estos países como si el convenio no hubiera entrado en vigor.

El Convenio supondrá un importante ahorro fiscal para empresas españolas y norteamericanas a la hora de establecerse en el otro país, regulándose un tratamiento específico en los ingresos obtenidos en cada uno de los casos

Comprende, en relación a España, el IRPF y el IS, no incluyendo el Impuesto Extraordinario sobre el patrimonio.

El Convenio supondrá un importante ahorro fiscal para empresas españolas y norteamericanas a la hora de establecerse en el otro país, regulándose (arts. 6 a 23) un tratamiento específico en los ingresos obtenidos en cada uno de los casos, según se trate de beneficios empresariales, rentas inmobiliarias, dividendos, intereses, cánones o royalties, ganancias de capital, imposición sobre sucursales, servicios personales, retribuciones a consejeros, e incluyendo la categoría de "otras rentas" para aquéllas sin un tratamiento específico.

Se regulan asimismo deducciones por doble imposición, que varían según se trate de residentes en España o EE.UU., y que suponen un tratamiento muy ventajoso para el empresario o inversor español que obtenga un beneficio en EE.UU..

Se da especial importancia a la prevención de la evasión fiscal, hasta el punto de incorporar el concepto en el título del Convenio. Se introducen artículos sobre la materia, procedentes tanto del Modelo OCDE, como el normalmente utilizado por los EE.UU. en sus convenios de doble imposición (El Modelo de Convenio de Doble Imposición de los EE.UU.).

Las medidas al respecto incluyen, por un lado, la corrección de los beneficios de empresas asociadas, por las que se dificulta la práctica empresarial consistente en reducir la carga fiscal en el estado de superior tributación reduciendo por debajo de los precios de mercado, o aumentando artificialmente en su caso, los precios de transferencia.

Se prevén también medidas en contra el Treaty Shopping, consistente en la búsqueda del convenio de doble imposición más conveniente para el sujeto pasivo para hacer disminuir la carga fiscal a que está sometido, peviéndose finalmente el intercambio de información y asistencia administrativa entre ambos estados.

Finalmente, contiene ciertas medidas de defensa del contribuyente, que permiten, mediante un procedimiento amistoso, soliucionar casos individuales en los que el contribuyente alega una aplicación incorrecta del convenio. Este procedimiento también soluciona dudas aparecidas en la interpretación o aplicación del Convenio, o solucionar supuestos no previstos en el mismo.

Así pues, y tal y como se señala en el comentario oficial de la OCDE a su Modelo de Convenio, la finalidad de dichos convenios de doble imposición es promover los intercambios de bienes y servicios así como el de movimiento de capitales y personas entre los dos estados a través de la eliminación de la doble imposición. No cabe duda de que también en el caso del Convenio entre España y los EE.UU. que, por otra parte, viene a llenar un hueco importante en la red española de Convenios de Doble Imposición, cabe esperar consecuencias beneficiosas.

El Convenio puede ser un nuevo y útil instrumento que potencie los intercambios económicos entre ambos países y conlleva un replanteamiento en las planificaciones fiscales de las operaciones económicas entre ambos estados. La Cámara de Comercio Española en Nueva York se ha preparado convenientemente a fin de facilitar mayor información a sus socios acerca del mismo. Ω

REPORTAJE ESPECIAL

La "gran manzana" tiene sabor español

Extebank afianza su posición en aras de una expansión y crecimiento ordenado

La tentación y la oportunidad que supone para las empresas extranjeras, y en especial para las españolas, entrar en el mercado americano, pasa por la necesidad en gran número de casos de establecerse en la "Gran Manzana". Aunque ya desde los años 50, el Banco Exterior de España cuenta con una oficina de representación en Nueva York, en 1977 consciente de la necesidad de abrirse camino en Estados Unidos, y en especial en la ciudad de los rascacielos -como centro neurálgico de la actividad financiera desarrollada en el país-, compra a través de una subasta del FDIC (Federal Deposit Insurance Corporation) el Century National Bank and Trust.

La buena marcha de las operaciones comerciales desarrolladas y la amplitud del mercado llevan al Grupo Banco Exterior a adquirir dos años después el Bank of Suffolk County que cuenta con una red de seis oficinas. Estas adquisiciones culminarán, a través de una fusión, en la formación de Extebank como filial del Banco Exterior de España. Su implantación como subsidiaria hace que Extebank opere a nivel legal como banco americano, pudiendo de esta forma competir con el resto de los bancos por los servicios financieros existentes.

Extebank asienta su posición en los mercados de financiación comercial y banca de empresa

* * *

Con la reciente apertura de las oficinas de Bohemia (Long Island) y de Rego Park (Queens), Extebank dispone ya de una red de diez oficinas. Siete de ellas distribuidas en Long Island , dos en Manhattan y la última abierta en Queens. Aunque Extebank no puede compararse con bancos de la talla de Chemical Bank, Chase Manhattan o Citibank, y a pesar de contar con un volumen de activos que sobrepasa este año los 700 millones de dólares, sí está compitiendo en la práctica con ellos en lo referente a los servicios que otorga al consumidor neoyorkino.

De hecho, en un reciente estudio titulado The 1990 Consumer Bank Scorecard realizado por el Dept. of Consumer Affair of the city of New York and New York State Senade, que analizaba la competitividad en cuanto a las comisiones de servicios y los tipos ofrecidos de los bancos norteamericanos situados en el estado de Nueva York, Extebank se encontraba en una sobresaliente segunda posición.

El público objetivo de Extebank está compuesto principalmente por dos segmentos. El primero de ellos es el cliente que busca servicios personales relacionados con cuentas corrientes, cuentas de ahorros, bonos del tesoro, préstamos personales, hipotecas entre otros muchos que ofrece el banco. El segundo, sería el segmento compuesto por las pequeñas y medianas empresas que requieren una atención más acorde con su negocio, buscando servicios de préstamos a corto y largo plazo, cuentas corrientes de empresa, certificados de depósito, cuentas de mercado de dinero y similares. No obstante, Extebank dispone asimismo de servicios de caracter internacional ofreciendo a sus clientes operaciones que van desde cartas de crédito, cambio de divisas, IBF, depósitos en moneda extranjera y financiación comercial.

La pasada crisis que ha afectado a la economía norteamericana, ha hecho que los bancos americanos hayan tenido que sanear sus carteras y en especial los créditos concedidos a sus clientes. Extebank, con vistas a fortalecer su posición, está realizando una diversificación de sus productos, incrementando sus depósitos y afianzando su relación con las pequeñas y medianas empresas que en definitiva tienen una presencia significativa dentro de su clientela.

En vistas a la nueva desregulación del sistema bancario, que elimina las barreras de actuación entre los diferentes estados para los bancos, se abre una nueva posibilidad de expansión para aquellos que tienen previsto un crecimiento de su actual estructura. Ω

LANDER UNZUETA, *MBA Internacional por ESADE y actualmente en la Cámara.*

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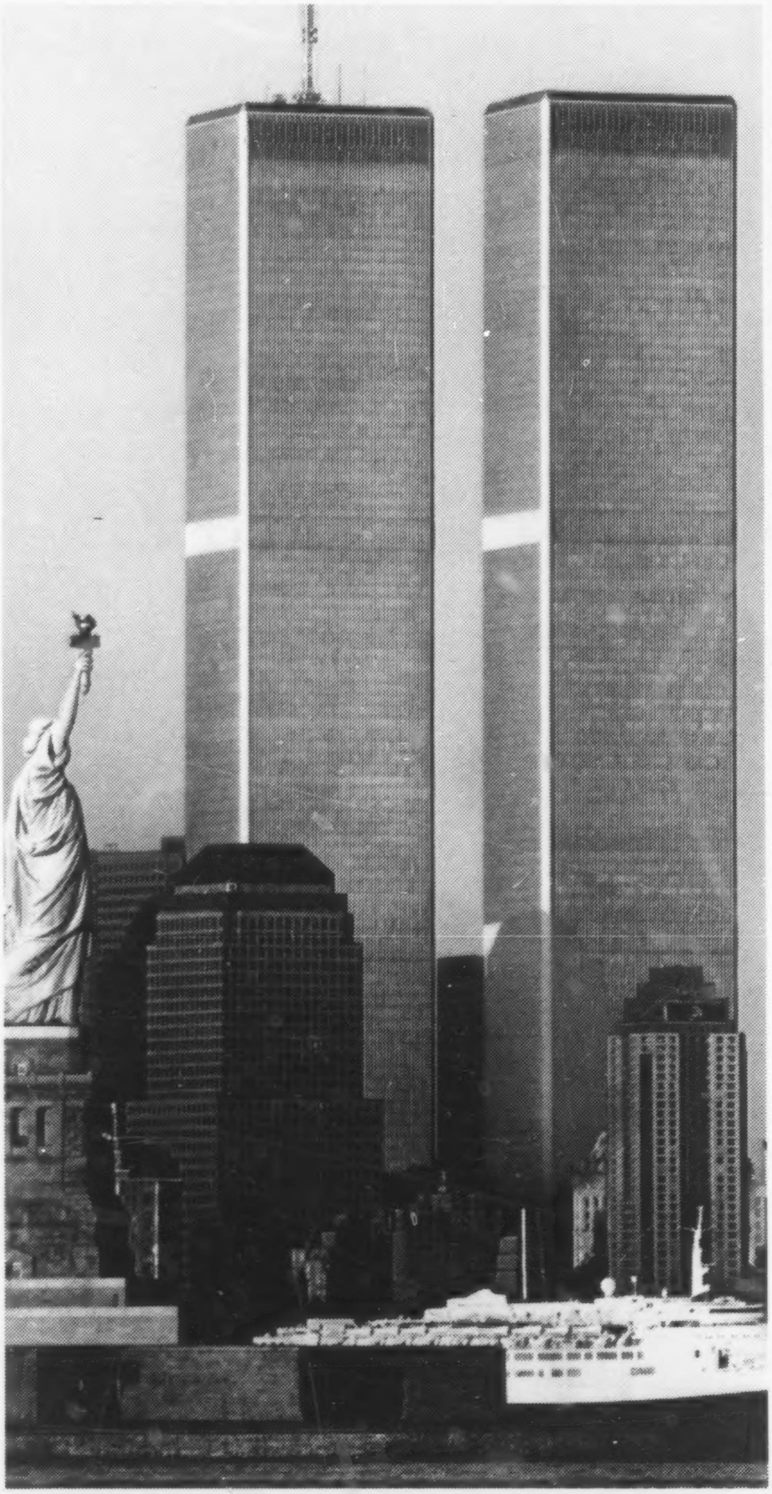

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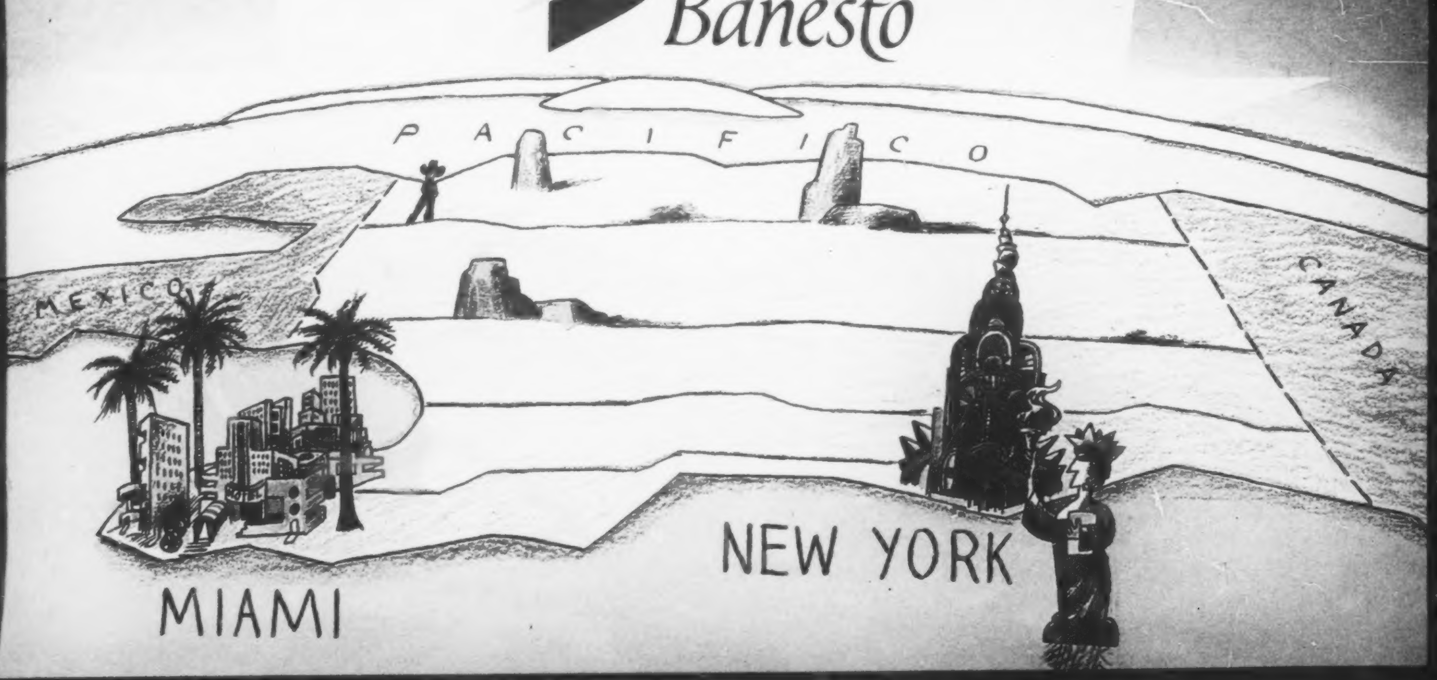

The U.S. Hispanic Market: It's Time to Take It Seriously

$165 billion of purchasing power plus a strong ethnic identity are overlooked by general marketing approaches

By Patrick Moran

There are close to 25 million Hispanics living in the U.S. worth over 165 billion dollars of purchasing power, that are being ignored or overlooked by top consumer product companies in the U.S. Some of these companies have developed advertising campaigns for Spanish language media, but their overall marketing effort is based on a "one market" philosophy.

Companies will not commit additional effort to the Hispanic market unless there is strong evidence demonstrating the "uniqueness" of the market, as well as the potential for additional revenue. For example, are the consumer behavioral patterns of this market segment clearly unique to the general market? Are the language and media preferences distinct from general population? The potential for additional revenue generation would have to justify the investment in developing a distinct marketing organization. The market segment, currently not reached by the general market approach, must represent a significant amount of buying power; and the population should have a strong propensity to use their disposable income to purchase consumer product/services.

Market Characteristics

Most ethnic groups immigrating to the U.S. during the late 19th and early 20th centuries (primarily European) went through a somewhat consistent process of assimilation or acculturation. Initially, the new arrivals would retain cultural identity as a buffer for security and comfort. However, as the pressures to interact with the general population increased (both economically and socially), so did the pace of adopting American cultural values.

Today, the general population is more tolerant of the active display of ethnic cultures. The pressure to assimilate is not as strong as compared to the pressure faced by earlier immigrants. The economic and social environment in the early part of the 20th century (namely, the Depression and World War I and II) put more pressure (need for work; desire to be considered American) on early immigrants to assimilate. Those pressures have diminished considerably for many of the newly arriving ethnic groups.

The fast growth of this population segment, as well as the geographic concentration have resulted in Hispanics, as a group, having far less pressure to assimilate than was common among earlier waves of immigration. Also, many Hispanics who immigrated to the United States, and even those born here, are finding that the mass of population identified as Hispanic (approximately 10% of the total U.S. population, and as high as 60% in a number of major cities and metropolitan areas), provides them with the support needed to maintain their cultural heritage.

Over the past ten years, the Hispanic population grew 53% compared to 10% for the entire U.S. population

Many Hispanics may have come to the U.S. with the intention of remaining for a limited time and plan to return to their native country. Given this, there is a strong tendency to retain their ethnic culture and no need to or desire for assimilation. As the institutions which foster Hispanic culture grow, the process of assimilation among Hispanics is further slowed, Institutions such as the media, religious, charitable and social organizations have increased in number and diversity as the Hispanic population continues to increase.

The vast majority of U.S. Hispanics are relatively unassimilated (40.1%) or only partially assimilated (45%). This segment of the U.S. population has retained a significant portion of their cultural values as measure by their social and economic behavioral patterns and selected demographic characteristics. However, the degree of assimilation is not consistent across all demographic or geographic categories. For example, by geographic region, Hispanics living in the southeast part of the U.S. (primarily South Florida) are significantly less assimilated than Hispanics living in the country's central or southwest regions.

There is also a clear distinction in assimilation when focusing on age. On average, children are substantially more assimilated than their parents. Exposure to pop culture and peer influences increase the pace of assimilation for younger Hispanics.

The degree of assimilation for Hispanics also varies according to country of origin. Hispanics originating from Cuba and Central America tend to be less assimilated than Puerto Ricans, Mexicans and South Americans. These differences wold explain, in part, the regional differences in assimilation. The southeast part of the U.S. is less assimilated than other regions of the country, and this is where Hispanics of Cuban descent are predominant.

Ethnicity According to Favorite Personalities Among Hispanic Adult Heads of Household (1991)

	Highly Assimilated	*Partially Assimilated*	*Relatively Assimilated*
SPORTS PERSONALITIES			
Hispanic	37.0%	66.4%	81.1%
Non-Hispanic/American	75.6%	52.8%	32.1%
No Favorite	17.4%	12.8%	12.8%
Total	*	*	*
TV PERSONALITIES			
Hispanic	41.4%	72.6%	88.9%
Non-Hispanic/American	81.1%	53.7%	30.3%
No Favorite	5.8%	6.6%	4.0%
Total	*	*	*
ENTERTAINERS			
Hispanics	37.0%	70.1%	88.2%
Non-Hispanics/American	72.7%	51.8%	30.8%
No Favorite	10.1%	10.8%	5.3%
Total	*	*	*

** Does not add to 100% due to multiple response.*

Source: STRATEGY RESEARCH CORPORATION.

Market Potential

According to the U.S. Census Bureau, the U.S. population increased by 22.2 million persons between 1980 and 1990. Based on preliminary data, the U.S. Hispanic population increased by 7.8 million during the same period. This represented an increase of 53% among the U.S. Hispanic population, compared to 10% for the entire U.S. population.

Total U.S. Hispanic buying power increased from $134.1 billion in 1987 to $165.5 billion in 1991. This is an increase of over 23% in just four years. The growth in aggregate purchasing power is attributed to population growth as well as to an increase in household income. The greatest increase was among Hispanics living in the Western part of the U.S. which experienced a 28% increase in buying power from 1987 to 1991.

In addition to population size, growth and purchasing power, an important measurement of market potential is the propensity to purchase consumer goods. This strong purchasing power of Hispanics in the U.S. is particularly true in the area of electronic equipment. Over 98% of Hispanics own television sets. This fact highlights the importance of this media to this ethnic group. In fact, Hispanics own newer television sets than non-Hispanics. The average price paid for the most recently purchased television set among Hispanics was approximately $450 compared to $462 for non-Hispanics.

Also, approximately 7.3% of Hispanics own video cameras, as compared to 11.5% for non-Hispanics. However, the incidence of ownership of video cameras among Hispanics living in the Southeast part of the U.S. is 13.4%. The market potential for this high-priced electronic product will grow as more and more Hispanics move into the middle and upper middle household income categories.62% of Hispanics own VCR's as compared with 67% of non-Hispanics. Average price paid for VCR among Hispanics is $300 compared to $314 for non-Hispanics. Over 58% of Hispanics own home stereos compared to 50% for non-Hispanics. The average price paid by Hispanics for stereo equipment id $490. The average price paid by non-Hispanics is $583. Data on compact disc equipment purchases show that Hispanics represent 10.3% of the entire market compare to 14% for non-Hispanics. Again, data from the southeast region of the U.S. reveals that purchases of compact disc equipment by Hispanics exceeds that of non-Hispanics. Nearly two-thirds of Hispanics own portable cassette players compared to 53% for non-Hispanics.

Immigration Will Increase

There are close to 25 million Hispanics living in the U.S. This is the fifth largest concentration of Hispanics in the world. By the year 2000, Hispanics will represent over 50% of the population in several large metropolitan areas.

Given that a large percentage of the Hispanic population growth has been and continues to be through immigration, Hispanic culture will continue to dominate social and economic behavioral patterns of the group in general. In addition, this market has an average household purchasing power that is approaching that of the non-Hispanic population, with some Hispanic groups growing faster than others. Hispanics' propensity to purchase consumer products is equal to, if not higher than, the general population.

With a concerted effort to understand the uniqueness of the Hispanic market and a commitment to develop it, many more companies can share in rewards of this market. Ω

PATRICK MORAN *is a Vice President at Strategy Research Corporation, a Miami-based marketing research firm specializing in the U.S. Hispanic Market.*

Total and Regional Buying Power of the U.S. Hispanic Market 1985-1991

Market Region	*1985 Billions*	*1987 Billions*	*1991 Billions*
Total U.S Hispanic	$94.1	$134.1	$165.5
U.S. Regions			
West	$36.7	$52.3	$67.3
Southwest	23.4	33.4	39.1
Northeast	14.7	20.9	25.9
Southeast	11.3	16.1	19.5
Central	8.0	11.4	13.7

Source: STRATEGY RESEARCH CORPORATION.

Emilio Botín

Emilio Botín is Chairman of the Board of Banco Santander. Mr. Botín studied Law in Valladolid University and has a degree as a Lawyer-Economist from the University of Deusto. In November 1986, he was appointed Chairman of the Board of Directors of the bank, continuing as CEO. Santander recently purchased an equity stake in New Jersey's First Fidelity Bancorporation.

G. Richard Thoman

As Chairman and Co-CEO of American Express Travel Related Services Company (TRS), Rick Thoman jointly runs the world's largest travel and financial services company. In Spain, American Express provides Card, Travelers Cheque and travel services, and operates 36 travel offices. The company has played a leading role in promoting tourism to Spain.

Frederick Bush

Frederick M. Bush was appointed Commissioner General of the U.S. Pavilion at the 1992 Universal Exposition in September 1990. As the Assistant Secretary of Commerce for Tourism, he represented the U.S. Travel and Tourism Industry overseas. Mr. Bush served as National Finance Director of the George Bush for President campaign from 1979 to 1980 and Deputy Finance Chairman in 1988.

Cándido Veláquez

Cándido Velázquez is Chairman of Telefónica de España, S.A., Spain's national telephone company, responsible for the general management of Telefónica and all its holdings. On April 15, 1991, Telefónica officially opened its U.S. headquarters in New York City. Before joining Telefónica in 1989, Velázquez was chairman of Tabacalera, what was then the Spanish tobacco monopoly.

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Europe's Single Market: Still Moving Forward

As of March 1, the Council had taken decisions on 70% of the 282 White Paper directives (including 5 partial adoptions and 4 common positions). Still, the Council has over 90 proposals under discussion, and the Commission has requested that this backlog be erased before the end of this year.

Decisions have been reached in all areas of economic activity, and in some sectors, almost everything set out in the White Paper has been achieved (e.g in public procurement, capital movements, banking and technical harmonization). Areas of progress and delays remain essentially the same as reported in previous issues: the abolition of technical barriers is the most advanced area, while the removal of physical controls (on goods and people) and of tax barriers still lags. However, recent successes on company taxation issues and on the collection of value added taxes (which will eliminate border checks for VAT as of January 1, 1993) are encouraging signs that progress on tax issues is not impossible. Further, the member states have agreed to increase duty-free travelers' allowances, the first step toward duty-free travel for EC citizens within the Community.

A continuing source of concern is the relatively poor member state performance in implementing White Paper directives. The increasing number of measures entering into force of late has reduced the member states' transposition rate from over 70% several months age to the current 65%. Only 24 single market measures have been implemented by all 12 member states. Clearly, in order for the single market truly to succeed, the EC countries must improve their productivity on EC legislation. Ω

Tax Frontiers Come Tumbling Down

In a banner year-end eco/Fin Council meeting, EC Finance Ministers formally agreed on a new system of collecting VAT (value added tax) which will scrap border checks for VAT as of January 1, 1993.

Under the agreement, VAT will still be charged on goods at the point of consumption for a transitional period of four years (i.e. the destination principle) once frontiers are abolished, rather than at the goods' origin (which the Commission eventually wants). The new system will replace the current practice of routine border checks and the accompanying Single Administrative Document with periodic VAT declaration forms and invoices supplied by companies, and a new regime of closer cooperation on VAT between member states tax authorities.

Technical details of the new system must still be worked out, and the recent agreement does not cover VAT rates; VAT harmonization will be reexamined by the Council later this year. In addition to the progress on VAT, the ministers reached a parallel political agreement on excise tax frontiers. It calls for a system of linked bonded warehouses to replace customs checks at borders as a means of controlling goods subject to excise duties such as alcohol, tobacco and gas. Taken together, the excise and VAT packages will ensure that border controls will be eliminated by January 1, 1993 while preventing a drop in member state revenues due to tax fraud. Ω

Improved Access to Leased Phone Lines

A new Commission proposal will make it easier for private companies to lease telephone lines from public networks across the EC. The legislation, a first step toward implementing the already adopted Open Network Provision framework directive (which governs access to public telecoms infrastructure), aims to scrap national restrictions on leased lines, to harmonize technical standards and to ensure that procedures for leasing lines are transparent and non-discriminatory. The only remaining national restrictions on leased lines would be in the area of voice telephony. The EC market for "valued-added" telecommunications services such as databases, electronic mail and electronic fund transfers relies heavily on leased lines from public networks, but has often been subject to predatory pricing and conditions by the national public authorities (PTTS). According to Commission sources, this "flourishing" market was worth 2 billion ecu (ecu1=$1.30) in 1989 and is expected to expand to 5 billion ecu by next year. Ω

Cheaper International Calls on Order

Speaking of telephone lines, the International Telegraph and Telephone Consultative Committee (CCITT) has agreed, under pressure from the EC Commission and the US and UK governments, to remove most of its restrictions on the use of international private circuits. These practices restrict market access to international circuits, enhancing the profitability of international calls for the world's public telephone companies. Last year a Financial Times London study revealed that consumers were being overcharged more than $10 billion a year for international calls through CCITT members; shortly thereafter the Commission launched its own investigation into the CCITT arrangements.

Not only will consumers benefit from cheaper calls as a result of the CCITT's "voluntary" reforms: they should also spur the growth of cross-frontier information services and increase opportunities for private companies in the telecommunications market. Ω

Source: EUROCOM

Telefónica

Exchange: NYSE
Symbol: TEF

ADR Share Price Results($)
1990

High	27.125
Low	23.375
Close (12/31)	26.375

In 1990, Telefónica unaudited results show net income of Ptas. 75,714 million ($718.3 million), with an increase of 9.9 % over the previous year. Earnings per share went up to Ptas. 81.7 (0.84), 9.7% up on 1989, and cash flow per share reached Ptas. 413.4 ($4.27), a 14.3% increase on last year's figure.

Revenue from operations reached Ptas. 832,317 million ($8,588.6 million) which represented a 18.3% improvement on the 1989 figures. Operating expenses amounted to Ptas.356,420 million ($3,677.9 million), with an annual increase of 22,5%.

Telefónica's activity during 1990 was characterized by the continuing investment effort, amounting to Ptas.694,560 ($7,167.1 million), 15.6% higher than that of 1989. This investment effort has provoked a high increase in the financial expenses, that amounted to Ptas. 149,362 million ($1,541.3 million), 42,3% more than in 1989. The restrictive monetary policy, which reflects negatively in interest rates, and limitations on foreign financing, have been additional negative factors.

Regarding the service, the high annual investment allowed Telefónica to install 1,564,624 new Lines (6.3% higher than in 1989) and the waiting list has fallen by 28.5%, going down to 379,892 at the end of the year.

April 15 marked the official opening of Telefónica's United States headquarters in New York. The move confirms the importance that the company attaches to having an active presence in the U.S. market and will help service transatlantic business.

Endesa

Exchange: NYSE
Symbol: ELE

ADR Share Price Results($)
1990

High	25.13
Low	18.13
Close (12/31)	22.87

The major factors affecting the Endesa Group's results for the fiscal year 1990 are the increase in demand; the irregular distribution of such demand throughout the year which, together with the high hydro availability during the early part of the year, has resulted in a different fuel mix; and the Bank of Spain's restrictive monetary policy which resulted in high domestic interest rates.

Demand rose 4.5%, the biggest part of that increase taking place during the last quarter of the year. Total electric industry hydro production was 36% higher than in 1989. Having very little dependence on oil, the cost increases of this fuel caused by the Gulf crisis had a negligible impact on the industry.

Endesa's production was 1.8% over that of 1989, which had itself achieved an historic production record. The fuel mix was significantly different from that of the previous year: coal-burning generation went down by 2.1% while the nuclear one increased 5.3%.

Net income was Ptas 79.66 billion (US$831.96 million at the December 31, Federal Reserve Bank noon-buying rate of 95.75) which represents and increment of 11.1 percent in respect to the previous year, despite the increase of 3.8% in the overall effective tax rate.

On the operational side, one of the most important events of the year was the closure of the Vandellós I nuclear plant.

The First Iberian Fund

Exchange: ASE
Symbol: IBF

Market Price(3/1):	$11.13
NAV (3/1):	$9.79

Portfolio Composition (3/31/91)

Equity Securities	87.20%
Fixed Income Securities	10.67%
Short-Term Investments	2.04%

Geographical Composition (3/31/91)

Spain	94%
Portugal	5%
United States	1%

A diversified-closed end fund, the First Iberian Fund has the objective of long-term capital appreciation through investments primarily in equity securities traded principally on stock exchanges in Spain and Portugal.

During the first quarter of 1991, the Fund appreciated by 23.2%, underperforming the Spanish market's 27% rise due to the diversification of the portfolio and its conservative posture.

Spain, as well as Italy and Finland, had been one of the worst markets during the Gulf Crisis. When the crisis ended, the Spanish bolsa jumped ahead of most international markets for two basic reasons. First, it had been clearly oversold domestically and by foreigners. Second, perceptions on the fundamentals of the economy had been overly pessimistic during the crisis.

On the Exchange

The Growth Fund of Spain

Exchange: NYSE
Symbol: GSP

Market Price(3/31):	$10.13
NAV (3/31):	$11.51
Annual Dividend:	$ .36

Since its offering in February 1990, the Growth Fund of Spain has sought long-term capital appreciation by investing primarily in equity securities of Spanish companies.

Because of the events in the Middle East, the Fund is structured more defensively, focusing on banks, utilities, food, real estate and companies benefiting from infrastructural expenditures.

The portfolio is approximately 75% invested in Spanish equities, 24% in U.S. commercial paper and the remaining 1% in Spanish convertible bonds. There are currently 43 equity issues. As of December 10, 1990, the Fund had repurchased and retired 578,200 shares. The first quarter in 1991 saw a return on investment of 14.07%.

The Fund's ten largest holdings include:

*Endesa
*Repsol
*Banco Popular Español
*Hidroeléctrica Iberia Iberduero, S.A.
*Telefónica, S.A
*Viscofan, S.A
*Bankinter
*Corporación Financiera Alba, S.A.
*Dragados y Construcciones
*Banco Andalucía

The fund has had a trading range in the fourth quarter 1990 of a high of $9 to a low of $7.875. The net asset value has had a high of $11,27 and a low of $9.92. It had a NYSE close of $8.125 and a net asset value of $10.25 on December 31, 1990.

BC

Banco Central

Exchange: NYSE
Symbol: BCM

ADR Share Price Results($)
1990

High	25.50
Low	18.50
Close (12/31)	23.13

Financial revenues for Banco Central in 1990 amounted to 515,896 million pesetas corresponding to an increase of 53,438 million pesetas, 11,56% over prior year, with financial costs of 326,133 million pesetas. A firm control was exercised over the growth of such financial costs, and has permitted Banco Central S.A. to be one of two six larger spanish banks to increase to operating margin.

1990 was a very difficult year for the spanish bank industry due to the increase in the cost of customers' deposits and the reduction in the funds that had to be assigned to loan provisions.

The consolidated pre-tax profits, according to data, amount to 1.62% of the average total assets compared to 1.56% last year reaching 76,692 million pesetas, an increase of 13.80% after exceptional contribution to reserves and amortization for the year in the amount of 82,264 million pesetas, with this amount to increase to 105,264 million pesetas including estimates incomes taxes.

The group shareholder's equity increased 27.12% in the consolidated balance sheet, with 4.428 million pesetas corresponding to an increase in capital of Banco Central, and 49,038 million to an increase of reserves.

The 1991 perspectives for the banking industry show a year of strong competition which will now affect both deposits and lending.

BBV

Banco Bilbao Vizcaya

Exchange: NYSE
Symbol: BBV

ADR Share Price Results($)
1990

High	36.75
Low	24.75
Close (12/31)	25.50

Banco Bilbao Vizcaya Group made a pre-tax profit of 141.5 billion pesetas in 1990. Net earnings per share amounted to 439 pesetas, a rise of 10.3% over the previous year's figure of 398 pesetas. A dividend per share of 158 pesetas, representing an increase of 7.2% will be proposed to the shareholders at the Annual General Meeting.

Net interest income reached 333,461 million pesetas. This item shows the impact of reclassification of formerly preferential rate customer funds totalling 700 billion pesetas and of the rising cost of funds through intensified competition for customer deposits. Both these factors have resulted in net interest income falling 2.8% with respect to 1989.

The launch of high interest accounts, particularly the popular "Libreton", has mitigated the effects of the restrictive government policies and has actually allowed BBV to gain market share. The balance on high interest accounts approached 500 billion pesetas at the end of 1990. The one million Libreton accounts, half of which were opened by new customers, accounted for 250 billion pesetas.

The payout ratio is 36% and the reinvestment ratio is, at 64%, the highest among the large Spanish banks, ensuring a high level of liquidity and the ability to sustain growth with an overall conservative approach.

Fax Poll

Is this magazine an effective member service? The Spain–USA Chamber of Commerce would like to know if you think The Business Link magazine serves as an effective business-to-business platform for communication. Fax us your answers at 1-212-964-1415.

1) Are you a member of the Chamber? ☐ *Yes* ☐ *No*

2) Do you see *The Business Link* as a member service? ☐ *Yes* ☐ *No*

3) How many copies of *The Business Link* does your office receive? ____

4) Type of business?
please specify ____

5) Who besides you reads *The Business Link* ?
☐ *office associates* ☐ *clients*
☐ *friends & family* ☐ *other*

6) What sections of *The Business Link* do you read the most?
(The Chamber, U.S. Business, Spain Survey, etc.) ____

7) What sections of *The Business Link* do you read the least?
(The Chamber, U.S. Business, Spain Survey, etc.) ____

8) What new sections would you like to see? ____

9) Do the Special Reports interest you? ☐ *Yes* ☐ *No*

10) Would you like to receive Special Report reprints? ☐ *Yes* ☐ *No*

11) Should Chamber members continue to contribute editorially as much as they have? ☐ *Yes* ☐ *No*

12) Do you think advertising in *The Business Link* enhances an organization's image in the Spain–USA business community? ☐ *Yes* ☐ *No*

13) Has your organization advertised in *The Business Link?* ☐ *Yes* ☐ *No*

14) Magazine editorial & design *(check all that apply)*
☐ *needs more color* ☐ *too many sections* ☐ *evenly-paced*
☐ *easy-to-read* ☐ *more Spanish articles* ☐ *well-written*

Please respond by May 30

Spanish Nationals and the U.S. Immigration Act of 1990

The new legislation directly effects every aspect of immigration including tourist visa restrictions, the transfer of Spanish professionals to the U.S. and Spanish nationals with extraordinary abilities

BY RONALD STORETTE

This article will furnish the reader with an overview of the Immigration Act of 1990, landmark legislation which was signed by President Bush on November 29, 1990. The article will focus on the changes in the U.S. nonimmigrant temporary employment visa categories and on the changes in U.S. permanent residence procedures as they will affect Spanish nationals wishing to enter the United States on a temporary or permanent.

The Immigration Act of 1990 could affect Spanish nationals by extending and broadening the visa waiver pilot program through which tourists may enter the United States without obtaining a visitor's visa obtaining a visitor's visa.

The Immigration Act of 1990 (the "Act") is the most comprehensive reform of U.S. immigration law since 1965. The Act contains extensive procedural changes in both the temporary employment of Spanish nationals in the United States and U.S. permanent residence. The effective date for most immigrant and nonimmigrant visa changes will be October 1, 1991, unless otherwise noted.

Nonimmigrant Visas

There are many changes in the temporary nonimmigrant visa classifications. There are four new nonimmigrant visa categories, as follows:

The O-1 visa category will be available to Spanish nationals who have extraordinary ability in the sciences, arts, education, business or athletics and who can demonstrate achievement by sustained national or international acclaim.

The O-2 visa category will be available to Spanish nationals who will assist in the performance of O-1 aliens of extraordinary ability and who are an integral part of such performance, due to critical skills or a long-standing relationship with the performing alien.

The P visa will apply to Spanish nationals who either (1) perform as athletes, individually or as part of a group or team at an internationally recognized level, or perform as part of an entertainment group that is internationally recognized, or (2) perform as artists or entertainers, individually or as part of a group, or are an integral part of the performance of such a group. P visas will be limited to 25,000 visas annually. The Q visa will be for Spanish participants in international cultural exchange programs that provide practical training and a shared experience of culture. The R visa will be available to aliens in religious occupations.

The Act will extend and broaden the visa waiver pilot program through which tourists may enter the United States for up to 90 days without obtaining a visitor's visa. This provision went into effect upon enactment and allows the Attorney General and Secretary of State to designate jointly additional countries to participate in this program. This is significant for Spanish nationals, since, thus far, they have been unable to take advantage of this pilot program.

For E-1 treaty trader visa purposes, the definition of "trade" will include trade in services and technology, including banking, insurance, transportation, communications and data processing, advertising, accounting, design and engineering, management consulting, tourism and technology transfer. Further, the Secretary of State will be responsible for establishing whether an investment is "substantial" for purposes of qualifying for E-2 treaty investor status or whether the trade is "substantial" for E-1 treaty trader status.

F-1 student visa holders will, for the first time, be entitled to 20 hours of off-campus employment weekly not related to their field of study without showing financial need for such employment.

The Act will narrow those Spanish nationals eligible for the H-1B visa category, which is presently available to all Spanish nationals of "distinguished merit and ability". As of October 1, 1991, this category will no longer include nurses, entertainers, athletes, artists, models or prominent business people. This category will only include Spanish nationals engaged in "specialty occupations", defined as occupations that will require highly specialized knowledge and the attainment of bachelor's or higher degree in the specific specialty or its equivalent.

Permanent residence will now divided into four categories: Family-Based Immigration; Employment-Based Immigration; Transition Visas; and Diversity Immigration

In addition, the Act will require that all H-1B employers first file a "Labor Condition Application" with the Labor Department, confirming that the employer will pay at least the local prevailing wage and offer prevailing working conditions.

Further, the Act will impose, for the first time, a maximum annual limit of 65,000 H-1B visas, excluding accompanying family members. On a positive note, H-1B visas will by valid for an aggregate period of six years.

There will also be changes in the L-1 intra-company transferee visa category, which include extending the maximum stay for L-1 Spanish managers and executives to seven years, while limiting Spanish nationals with specialized knowledge to the present five years. Further, it changes the previous employment requirement from one year " immediately preceding" the U.S. transfer to one year "within 3 years preceding" such transfer.

In addition, the present definition of "specialized knowledge" for L-1 purposes will be redefined to "special knowledge of the company product and its application in international markets" or "an advanced level of knowledge of processes and procedures of the Company". The Act will also allow certain international accounting firms to qualify for L-1 status.

Permanent Residence Procedures

Permanent residence will now be divided into four categories: Family-Based Immigration; Employment-Based Immigration; Transition Visas; and Diversity Immigration.

The Act will increase the annual limit for family-based immigration to 465,000 for fiscal years 1992 to 1994 and then raise the annual limit to 480,000. Although there is still no limit for "immediate relatives" of U.S citizens, they will be included in this annual limit until 226,000 family-based immigrant visas have been issued for that year.

The preference categories will be changed as follows: First Preference is reserved for unmarried sons and daughters of citizens; Second Preference is for spouses and children (under 21) and unmarried sons and daughters of permanent residents; Third Preference is for married sons and daughters of U.S. citizens;and Fourth Preference is for brothers and sisters of U.S. citizens who are at least 21 years of age.

Employment-Based Immigration will be divided into 5 new categories and there will be 140,000 employment-based immigrant visas available annually. These categories include Priority workers; Professionals Holding Advanced Degrees and Aliens of Exceptional Ability; Skilled Workers, Professionals Holding Basic Degrees and Other Workers; Special Immigrants; and Investors.

Priority Workers (40,000 annually) will include Spanish nationals with extraordinary ability in the arts, sciences, education, business or athletics; outstanding professors and researchers; and certain multinational executives and managers. Professionals Holding Advanced Degrees (or equivalent) and Aliens of Exceptional Ability (40,000 annually) will be required to hold at least Masters Degrees or have exceptional ability which will substantially benefit the United States. Skilled Workers, Professionals Holding Basic Degrees and Other Workers (40,000 annually) will include skilled workers with two years of training and/or experience; professionals possessing baccalaureate degrees; and other workers capable of performing unskilled labor that is not temporary or seasonal and is in short supply in the United States. Special Immigrants (10,000 annually) will be reserved for religious workers. Investors (10,000 annually) will include those who invest at least one million dollars in a new commercial enterprise and who create at least ten jobs for U.S. workers.

Transition Visas (40,000 annually) will be available in fiscal years 1992, 1993 and 1994 to aliens who are natives of foreign states that have been identified as adversely affected states. In this regard, 16,000 of these visa numbers have been reserved annually for citizens of Ireland.

Diversity Visas, 55,000 annually, will be available as of October 1, 1994. They will be available to immigrants from low-admission states in low-admission regions, who have a firm commitment for at least one year of employment in the United States.

Additional visas are reserved for aliens who applied for NP-5 visas and were notified of their selection before May 1, 1990, but did not receive the NP-5 visas due to numerical and fiscal year limitations.

As the above summary indicates, the Immigration Act of 1990 contains major changes that will affect Spanish nationals who wish to live and work in the United States. It contributes to an already complex immigration system and increases the need for legal counsel specialized in U.S. Immigration Law. This legislation also creates new nonimmigrant and immigrant visa categories while limiting various existing categories. Most importantly, the Act provides an increase in employment-based immigration, which will facilitate the transfer of Spanish professional executives and managers to the United States. Ω

RONALD F. STORETTE *currently practices United States Immigration and nationality law in New York City. As a partner in the firm of Baker & McKenzie with offices in Spain, Latin America and South America, Mr. Storette also lectures and writes extensively on matters pertaining to the United States immigration laws and regulations.*

Foreign Investors in U.S. Companies Must Contend with Statutory Shield

Under the Exon-Florio Amendment, the President can block investment that affects national security

BY EVERETT S. CARBAJAL

American protectionist attitudes against the Japanese and other foreign investors prompted Congress in 1988 to provide the president with a statutory shield against foreigners interested in a merger, takeover, or acquisition of a U.S. company. Under the Exon-Florio Amendment to the Omnibus Trade and Competitiveness Act of 1988 ("Exon-Florio"), the president may block or modify the terms of such investments by foreigners if he deems that they threaten the national security of the United States. Exon-Florio is thus a potent law which foreign investors interested in U.S. companies should keep in mind.

> Nowhere in the statute is there a definition of national security

Exon-Florio empowers the president with the legal authority to "suspend or prohibit any acquisition, merger, or takeover of a person engaged in interstate commerce in the United States by or with foreign persons so that such control will not threaten to impair the "national security" of the United States. Nowhere in the statute is there a definition of what constitutes an impairment of national security. Exon-Florio's legislative history indicates only that the term is to be interpreted broadly.

Concern for Japanese Takeovers

Back in 1987, Senator Exon (Democrat-Nebraska) and Representative Florio (Democrat-New Jersey) sponsored the Exon-Florio bill which was to become law the next year. Senator Exon was apparently concerned about Japanese attempts to take over American companies, especially after the White House informed him that, unless the president declared a national emergency, there were no laws which could prevent foreign interests from taking over an American company. All this occurred during a period in which American protectionist sentiments were strong, particularly against the Japanese, who many claimed were not opening up their market to American products.

Today, with so much talk about worldwide trade liberalization, many claim that Exon-Florio's procedures go against the grain of an international effort to loosen trade restrictions. Others argue similarly that Exon-Florio's mere existence is in fact hypocritical, considering, for example, U.S. Government claims against the EEC regarding what the U.S. calls a "Fortress Europe".

Committee on Foreign Investment

It is actually through the Committee on Foreign Investment in the United States ("CFIUS") that the president investigates proposed mergers, takeovers and acquisitions of U.S. firms to determine if they threaten the national security of the United States. CFIUS was formed by president Ford in 1975 in reaction to concerns about the flow of foreign investment into the United States after the Arab oil embargo and the dramatic increase of petroleum prices. CFIUS then served primarily as an advisory and information-gathering task force. In December of 1988, four months after Exon-Florio became law, president Reagan officially designated CFIUS to discharge the Executive Branch's responsibilities under the statute. Currently, CFIUS is an eight-member Cabinet level committee chaired by the Treasury Secretary, and its duties include receiving notice from parties involved in proposed acquisitions, undertaking the investigations of such proposed acquisitions required under Exon-Florio, and making formal recommendations to the president regarding a proposed acquisition's perceived impact on the national security of the United States.

Without a precise definition of the key term, "national security", CFIUS has much discretion to decide what constitutes a threat to national security, and this has concerned many who have claimed that Exon-Florio has protectionist objectives.

The Mechanics of Compliance

The regulations under Exon-Florio are still only in draft form, but CFIUS nevertheless operates under them. The significant legal effect of the Exon-Florio regulations is that they render all acquisitions (as defined by the regulations) to be indefinitely subject to presidential action, including divestment, unless and until the acquisition has been subject to review by CFIUS. In order to secure approval by CFIUS to clear a deal, the parties to an acquisition must submit the proper regulatory notice to CFIUS, detailing information about the proposed transaction and the parties involved.

Under Exon-Florio, there are only two types of notice: (I) "voluntary notice" (submitted by a party or the parties to an acquisition, be it the foreign investor or the American firm) and (2) "agency notice" (submitted by any member of CFIUS). Once either type of notice is properly filed, CFIUS notifies the parties involved within thirty (30) days as to whether their transaction is objectionable warranting further investigation, or can proceed to a closing. If CFIUS determines that a further investigation is necessary, it has another forty-five (45) days to conduct that investigation and to forward its recommendation to the president. The president then has fifteen (15) days to announce whether or not he will intervene in the transaction, that is, whether he will have it: blocked or modified, or whether the transaction can be cleared.

Although the nature of compliance by the parties to a proposed transaction is purported to be voluntary under the regulations, once an "agency notice" is submitted (that is, the point at which a member agency of CFIUS has reason to believe that the acquisition may have adverse impacts on U.S. national security and raises that concern to the other CFIUS members) then the parties to a transaction are obligated to provide the required information to CFIUS. Moreover, because a transaction is subject to divestment if CFIUS later determines that an unreported transaction threatens the national security, Exon-Florio notification is voluntary only in name.

Exon-Florio's Scope: From Defense to High-Tech

Even though there is no precise definition of what constitutes a threat to national security, experience has shown that scrutiny is given to the following sectors: sole suppliers of Defense Department equipment, companies which manufacture high technology products companies engaged in classified information, and companies dealing with export products under tight control.

As of February 1991, over 500 transactions have been reviewed, about a dozen have undergone a full CFIUS investigation, and only one has been blocked (a Chinese company s proposal to acquire an American aircraft components company). However, no one knows how many others have been avoided, frustrated, or dropped entirely because of Exon-Florio since many foreign investment authorities contend that even the threat of a CFIUS investigation wards off investors. They cite the example of a recent transaction in which a Japanese company, Fanuc, claimed that Exon-Florio's "burdensome nature" prompted it to drop its proposed acquisition of 40% of Moore Special Tool Inc., a Connecticut machine tool builder that manufacturers nuclear weapons for the U.S. Government. Others have similarly argued that the mere existence of Exon-Florio ironically threatens the national security of the United States by scaring off foreign capital which some claim is badly needed in the United States.

> **Some argue that the mere existence of Exon-Florio ironically threatens U.S. national security by scaring off badly needed foreign capital and direct investment**

On the other hand, Senator Exon himself has stated that he considers Exon-Florio to be a success, because, in his opinion, the whole review process has "created a level of scrutiny and compliance with other laws unknown prior to the enactment of [Exon-Florio]."

There have been attempts to amend the statute to define the phrase "a threat to national security" as including, among other things, anything that would have an adverse impact on U.S. economic competitiveness. Such attempts have failed up to now. Currently, legislators are not so much concerned about Exon-Florio's scope as they are with a legal conundrum (described below) which has put Exon-Florio's statutory status in limbo.

Revival by Congress

Exon-Florio legally expired in the fall of 1990, due to a legal technicality and Congress' failure to vote on an extension. Since then, Exon-Florio has been in legal limbo. However, on February 5 of this year, the Senate voted to extend Exon-Florio (more accurately, to revive the Defense product Act of 1950, the statute Exon-Florio actually amended) until March 18, 1991. Most recently, the House of Representatives voted to extend the statute until September 1991. Because all such extensions are retroactive, CFIUS and most trade lawyers have been operating as if Exon-Florio were still alive. For example, during this period of lapse, even though some lawyers have stated that there is a "window of opportunity" for foreign investors wishing to acquire U.S. firms, most were nevertheless continuing to advise their clients to report their transactions under Exon-Florio guidelines, lest a deal be undone in the future when Exon-Florio is officially revived with retroactive effect.

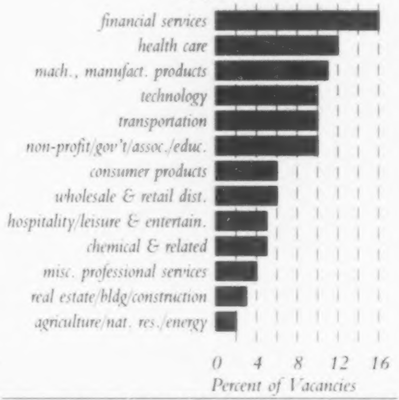
The Exon-Florio Amendment's existence will continue to have an effect on foreign direct investment in the United States. Although many question what some claim to be its protectionist motivations and objectives, it is nevertheless a law of concern to foreign investors. In most cases, it will be in the best interest of those foreign entities wishing to acquire, merge, or take over a U.S. company to notify CFIUS if the proposed transaction will arguably threaten the national security of the United States. Ω

EVERETT S. CARBAJAL *is an Associate with the New York Office of Baker & McKenzie, an international law firm with offices in Barcelona and Madrid and Latin America. Special thanks to Jose W. Fernandez and Jon S. Eichelberger, attorneys at Baker & McKenzie, who commented on drafts of the article. For a complete list of citations, please contact the author.*

Banco Santander Buys Equity Stake in First Fidelity

In March 1991, Banco Santander purchased 9.5 million common shares of the First Fidelity Bancorporation of New Jersey for $220 million. According to the *Wall Street Journal*, the bank also acquired warrants giving it the right to buy 9.5 million more shares for $242.4 million, increasing its stake to 24.9%. Mr. Emilio Botín, Santander's chairman, claimed that the purchase represents the only direct investment in a major regional U.S. banking company. First Fidelity is one of the largest 25 banking companies in the U.S.

U.S. Index of Executive Vacancies
1990



Source: Korn/Ferry International

Saffa Controls 55% of Sarrio

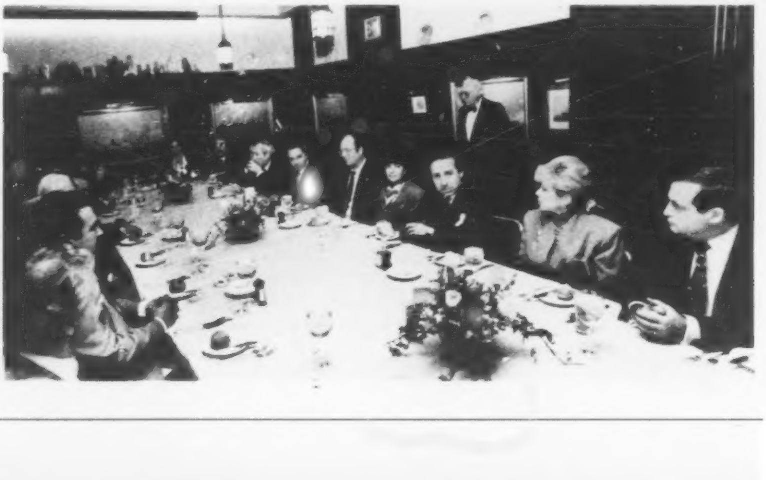
The Italian paper and packaging group, Saffa, gained majority ownership of Sarrio, S.A., which specializes in a variety of paper products. According to the *Financial Times* of London, the deal continues Saffa's strategy of expanding into the Spanish paper and packaging market. After buying 24.6% stake in Sarrio in early 1989, Saffa transferred its Saffa Cartiere subsidiary to Sarrio in return for further equity.

EXPO 1992 Contract

A $44 million construction management contract has been awarded to the P&O company Bovis International to convert the Plaza de Armas Railway Station in Seville into an exhibition center in time for the Expo 1992 World's Fair. Work will be undertaken by subsidiary company Bovis international de Espana, S.A. The fifteen month project involves the construction of a five-story four star hotel, office tower and underground parking lots.

Gulf Crisis Hampers Tourism in Spain

Visitors to Spain in January 1991 fell 11% to 2.4 million from year earlier. Tourism revenue accounts for 10% of Spain's GDP and 40% of foreign currency earnings. According to the Wall Street Journal, the number of U.S. tourists took a particularly steep dive of 40% to 32,226 as American curtailed travel abroad after the Gulf war began. Mr. Arturo Cardelus, president of Iberia Intercontinental, is seen below discussing Iberia Airlines' new organization and their efforts to find ways to collaborate with and assist the major American tour operators.



Minimum Wage in Spain Increases

As of 1991, Spain increased its minimum wage by 6.5% to 1,775 pesetas ($18.40) a day. According to the Wall Street Journal, the Spanish Labor Ministry claimed that the increase was based on inflation estimates as well as consultations with business and labor leaders. The government forecasts that inflation will be around 5% in 1991, compared with 6.7% as of December 1, 1990. Unions said the increase wasn't sufficient to enable workers to regain purchasing power lost in recent years.

Iberia Takes Stake in Chilean Carrier

In its effort to extend its Latin American network, Iberia Airlines acquired a 35% stake in the Chilean airline Ladeco. This follows Iberia's recent purchase of a 30% share in the Argentine carrier, Aerolineas Argentinas. According to the *Financial Times* of London, Iberia's link with the Chilean carrier will allow it to rationalize its services to Latin America, which are among that airlines most profitable routes.

Javier Romero Design Opens Madrid Branch

The New York-based design and illustration firm, Javier Romero Design, has recently opened a new branch in Madrid in its effort to better serve its Spanish client-base as well as american clients with interests in Spain. With the corporate endorsement of Apple Computer Espana S.A., the firm offers a full range of visual marketing communication products including annual reports, advertising services and promotional literature in Japanese, German, English and Spanish. The move represents the increasing internationalization of the design industry and the firm's goal to market its extensive experience in communications in New York to clients in Spain and the Common Market. The new office is located at 8 Pedro Muguruza, Madrid 28023, tel: (341) 457-4384.

Banco Hispano Appoints Amustegui as Chairman

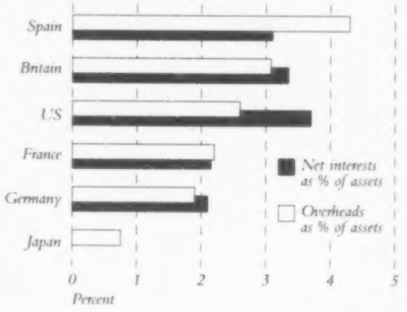
Effective January 1, 1991, Mr. José María Amustegui de la Cierva was appointed Chairman and Chief Executive Officer as Banco Hispano Americano. A native of Cadíz, he has been nominated to various posts in the public and private sectors including Vice Chairman of the Instituto Nacional de Industria (INI), Vice Chairman of Prodinsa, Chairman of Industrias de Telecomunicacíon and Deputy Chairman of Banco Hispano Americano.

Dupont Starts Direct Investment Projects in Asturias

Plans are going ahead at Dupont de Nemours to invest $1 billion in the autonomous region of Asturias in the northern Spain. Dupont seeks to develop several fiber manufacturing projects for garments over the next eight to ten years, including the construction of at least three factories that will employ the region's highly-skilled labor force. Due to the size and scope of the transaction's effect on Asturian economy, the projects will also receive a total grant from the Asturian regional government of approximately $300 million.

Spanish Banks Register Strong Profits in 1990

Spain in the Lead
Big Banks' Margins and Costs, 1990



Source: IBCA BANKING ANALYSIS

According to the *Economist*, IBCA Banking Analysis, a London bank rating agency raised the ratings on Spain's largest banks and proclaimed the Banco Popular the world's most profitable bank. In 1989, Spanish bank profits rose by 29% and pre-tax profits for most Spanish banks in 1990 averaged 14%. Most banks have healthy capital and meet EC capital adequacy ratios comfortably. Despite their Hispanic links, Spanish banks have little exposure to third world borrowers and do not have to contend with commercial property-related problems as their American counterparts do. Smaller margins are imminent as competition increases with financial liberalization and interest rates drop.

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IFEMA Participates in New York Vision/Expo Fair

Representatives of IFEMA, the Madrid Trade Fair Organization, participated in VisionExpo, held at the Jacob Javits Center in NYC February 8-10. IFEMA's aim was to promote Expo/Optica, the Spanish trade show of optical goods which was held April 26-29, 1991 in Madrid.

VisionExpo is the largest, most comprehensive eye care event held in the USA. This year it attracted more than 8,000 participants. Nearly 96% of those in attendance have the authority to recommend, specify or purchase products, and 50% of them signed purchase orders at the show. More than 60% of those present were optometrists and opticians. VisionExpo visitors will purchase $400 million worth of products and services in the coming year.

The exhibit of Expo/Optica was well received by both Americans and foreigners alike, surpassing all of IFEMA's expectations. Much interest was shown by Latin Americans. Expo/Optica is a monographic show targeted at opticians, ophthalmologist, hearing specialists and scientists and researchers, and is becoming one of the most important optical trade shows in Europe. The 1990 or ninth edition of the show attracted 357 exhibitors and 6,776 visitors. Ω

For further information on Expo/Optica or IFEMA contact Ignacio Ravell in NYC at (212) 594-1618 or David M. Keeble in Miami at (305)444-9500.

IAA '92 Congress in Barcelona

The focus of the International Advertising Association (IAA) will be on Spain in 1992, as it will hold in Barcelona the 33rd IAA World Advertising Congress, September 27-30, 1992.

The World Congress is the bi-annual highlight of the IAA calendar and usually attract some 1,500 to 2,000 participants from all over the world. The September 1992 event, or Barcelona/IAA '92 as is now known, is being organized by the IAA Spain Chapter, in close liaison with the IAA's World Board and Secretariat.

It is appropriate that the IAA World Congress should take place in Spain and in Barcelona at that time. Spain is described as the "hottest" advertising market in the world today. There are two important reasons for that notoriety:

(1) The creative work of the advertising industry is "world class." The country has a superb talent pool and facilities to ensure outstanding and effective advertising.

(2) The result...total advertising expenditures have increased dramatically from $713 million in 1980 to $5.6 billion in 1989. At an average increase of 20% per annum, they should be over $12 billion by 1992.

By the time of the Congress, Spain could be the fifth-largest advertising market in the world.

For details on the IAA World Congress, Barcelona, contact Jordi Garriga, Paseo Bonanja 13, 08022, Barcelona, Spain, Tel: (343) 212-8765, Fax: (343) 238-2810. Ω

Valencia Trade Fairs

Valencia has been the venue for international trade shows for over 70 years. The region's diverse products include agricultural products, ceramics and crystal, tiles and marble, furniture, toys, and lighting.

Textilhogar, the 22nd International Fair of Home Textiles and Decoration, took place January 15-19, 1991 and attracted hundreds of exhibitors and 10,000 visitors from all over the world.

Cevisama, the 9th International Exhibition for Ceramics, Glass, Natural Stones and Facings for the Building Industry, took place March 8-12, 1991.Over 5,000 professional visitors attended the first day alone.

A group of veteran shows were held from April 18-22: Cevider (International Fair of Ceramics, Glassware and Decorative Articles), Fiam (International Fair of Lighting Fixtures & Lighting accessories and components), and Habitat (an interior design and decoration fair). Ω

For additional information on the Valencia Shows, contact Spanusa Trading Group, Inc. at (914) 381-5555.

INFORMAT 91

The United States and Foreign Commercial Service (US&FCS) is organizing a U.S. Pavilion at the INFORMAT 91 trade exhibition, Barcelona, Spain, May 27 - June 1, 1991. INFORMAT is Spain's leading computer, peripherals, and software exhibition, the only fair exclusively for professionals and the computer industry. INFORMAT 1991 will feature:

* Hardware/Equipment
* Software/Services
* Telecommunications/ Equipment and Services
* Auxiliary Informatics Materials
* Consulting Services/ Technical Publications

Informat 90 hosted 401 direct exhibitors representing a total of 741 companies, of which 299 were U.S. It was visited by 68,295 buyers.

INFORMAT 91 is expected to have a booth area of 30,000 square meters, and to host 450 direct exhibitors and a total of 800 companies. INFORMAT is an ideal way for U.S. companies to break into the Spanish market.

The computer market is growing faster in Spain than in any other country in the European Community. In 1989 it grew by roughly 20% in unit terms and 10% in value to $1.8 billion. Similar growth over the next three years is expected.

U.S. Pavilion participants at INFORMAT 91 can rent a 12 square meter booth, while for a smaller fee, firms can display catalogs in a catalog show. Ω

For further information please contact: Mr. Robert L. Lapides, Director, World Access Corporation, tel: (617) 235-8095, fax: (617) 235-7360.

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Countdown to Seville Expo '92: US Pavilion Sponsor Update

When Seville's 1992 Universal Exposition opens its gates to commemorate Columbus' epochal voyage of discovery, the U.S. Pavilion will showcase the country's innovation, and competitiveness in the 320 million person market created by the economic integration of the European Community.

A record 110 nations and 20 international organizations are scheduled to participate in Expo '92. Over 40 million visitors and 50 heads of state are expected to visit the site.

In a decade when the ideas of democracy and freedom have achieved world prominence, the U.S. Pavilion will demonstrate that "Democracy is based upon the conviction that there are extraordinary possibilities in ordinary people." Extraordinary contributions by ordinary Americans in the fields of science, industry and the arts will be featured in the Pavilion, whose objective is to promote trade, tourism, investment and culture.

The President of the United States' mandate to the United States Information Agency (U.S.I.A.), the branch of the government responsible for international expositions, was to create a public-private partnership drawing on the best in corporate and private America. Congress provided $13 million in seed money for the U.S. Pavilion at Expo '92, which will be matched by private sector sponsorships, exhibits, and contributions - giving the U.S. a public-private partnership of unprecedented dimension and significance.

The following corporations have announced their sponsorship of the U.S. Pavilion:

The American Plywood Association (APA) will build a "Model Home of Tomorrow" on the U.S. Pavilion site to promote uses of American-made wood products. APA's member mills produce about 80% of the structural wood panel products manufactured in the U.S., and does quality validation, including inspection and testing in its laboratories. APA's participation in the Pavilion will further strengthen the already strong international presence it enjoys in Madrid, London, Antwerp, Hamburg and Tokyo.

Frederick Bush (second from left) and H.E. Zappala, Ambassador to Spain (fourth from left) at the ground breaking ceremony for the U.S. Pavilion.

The Coca-Cola Company is sponsoring the Commissioner General's VIP Lounge. The Lounge will be a quiet, sophisticated retreat where the Commissioner General can entertain heads of state, visiting royalty and foreign dignitaries, as well as international business leaders and celebrities. Access to the Coca-Cola VIP Lounge is one of the benefits accorded U.S. Pavilion sponsors and contributors. CEOs and the leadership of corporations, associations and states will be able to entertain their guests. In addition, the Lounge's reception areas can be used for seminars, conferences, and sales meetings.

U.S. Sprint is sponsoring an international Video Teleconference Center. This state-of-the-art telecommunications facility, with the technological capability to link with locations throughout the world, will provide an ideal venue for press conferences, seminars, marketing meetings and other special events. Working with U.S. Sprint, the U.S. Pavilion hopes to host teleconferences on such subjects as quality and competitiveness. Access to the U.S. Sprint Teleconference Center is another benefit for U.S. Pavilion sponsors and donors.

Sea-Land Service, Inc. of New Jersey, the first contributor to the Pavilion of "in-kind" products and services, is donating all the containers and services required for U.S. overseas shipping needs. Sea-Land Service, Inc., a division of CSX Corporation, is a world leader in international intermodal freight transportation and related trade services, serving over 80 ports in 70 countries.

A number of other Fortune 500 corporations actively are considering participation in the U.S. Pavilion. A "Quest for Quality" exhibit is being planned which will showcase the United States' commitment to quality products and services.

Partnership in the U.S. Pavilion is open to corporations, associations and individuals as well as states and cities. Opportunities for extraordinary market exposure still are available and include major sponsorships, such as those for the Performing Arts Plaza and the Cultural Program. Exhibits also are possible.

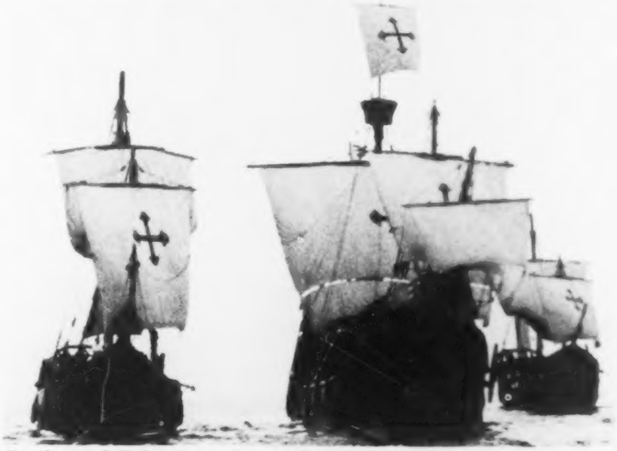
In addition, while they can vary greatly in their monetary value, other sponsorships such as those for National Day, National Week, Opening Day and Columbus Day as well as in-kind contributions - will give every participant a chance to share in this historic international event. Ω

About the Author:
ROSE-ANNE BARTHOLOMEW, *works for the U.S.I.A. in the Office of the United States Commissioner General for Seville Expo '92 and is responsible Corporate Relations. Wife of the former Ambassador to Spain, Reginald Bartholomew, she lived and traveled extensively in Spain. For further information on Expo '92 call (202) 401-7162.*

Quincentennial Offers Unique Marketing and Licensing Opportunities in the U.S.

The Sociedad Estatal Quinto Centenario (SEQC), a privately held corporation created under the auspices of the Comision Nacional and H.M. King Juan Carlos I of Spain, is the management organization established for the organization of the programs and activities related to the commemoration of the Columbus voyage. This organization has been allocated several billion dollars for the creation and development of 500 programs and projects of cultural, scientific, historical and artistic nature. These programs will have tremendous visibility in the United States, supported by the efforts not only of the SEQC but also the following two organizations: the Spain '92 Foundation, a publicly-funded, non-profit organization formed by the SEQC and headquartered in Washington, D.C., and J.G. Stanley & Co., Inc., the exclusive marketing and licensing agency.

The programs and events of the Quincentennial Celebration will occur over a two year span and offer tremendous opportunities in licensing, merchandising, premiums and promotions. In addition, the Quincentennial represents a powerful sales vehicle for Spanish and U.S. companies who have the foresight to utilize these programs and events to manufacture, sell and promote their products or services throughout the U.S., Caribbean and Canadian markets. Any corporation, but particularly those doing business with Spain, can benefit greatly by participation in the Quincentennial Celebration opportunities.



Replicas of Columbus' ships will tour major U.S. port cities, reaching over 10 million people.

The planning for the celebration has been in the works for a number of years. Over three years ago, the SEQC chose J.G. Stanley & Co., Inc. from among several top U.S. firms as the exclusive marketing and licensing agency for the Celebration in the USA and Canada. Ms. Joan Stanley, was a founding member of Lima, and is currently the President of J.G. Stanley & Co., Inc. Mr. Luis Bonel, who previously was the Executive Vice President and General Director for Majorica S.A., is her associate. According to Ms. Stanley, "A team of experts in licensing, direct marketing, corporate sponsorships, art, education and trade will project the message of this concentrated and coordinated effort to make history come alive through this celebration of our communal past and recognition of our powerful future together."

J.G.Stanley & Co is also handling corporate sponsorship rights for the Celebration in conjunction with the Spain '92 Foundation. Retail, direct marketing, premiums and sales promotions are currently being offered for license, while corporate sponsorship programs and events are being negotiated with major U.S. and Spanish corporations.

A number of major licenses already have been signed, with products ranging from commemorative medallions to fine art posters. The criteria used to evaluate a potential licensee is based on the company's ability to develop and produce quality products in support of the Quincentennial programs, subject to the parameters and goals of the SEQC. Some of the important factors examined by J.G. Stanley & Co., Inc and the SEQC include: distribution capabilities, production capacity, and pricing.

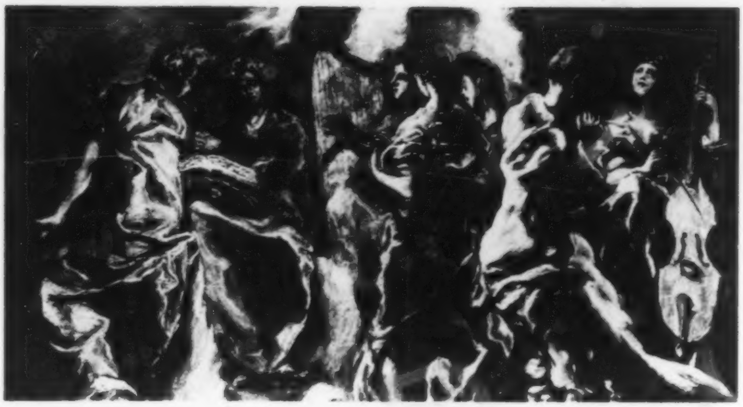
The SEQC program with the most visibility is the U.S. Tour of the Caravels, exact replicas of Columbus' ships.

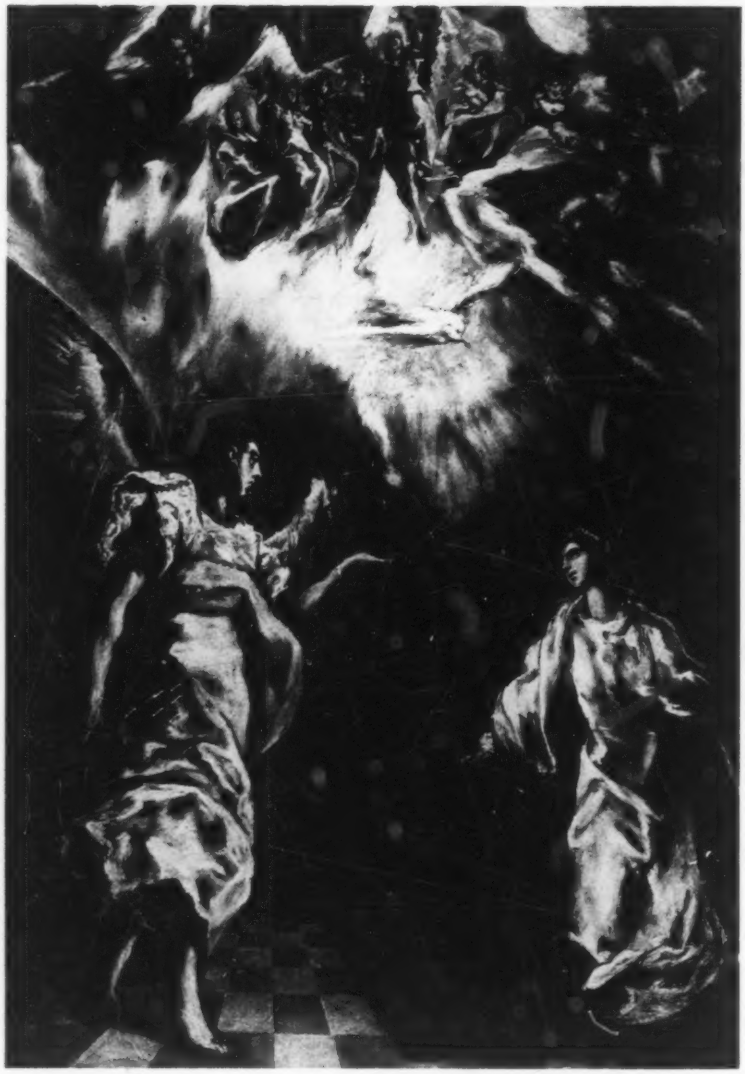
Traveling with the Spanish-owned replicas will be a Festival, presented by the SEQC, designed to include historical exhibitions, art and cultural events, exclusive merchandising and food. The Festival will allow sales of merchandise produced by exclusive Sociedad Estatal Quinto Centenario licensees. In each port, the ships will remain for an average of 14 to 20 days. It is estimated that between 40,000 and 50,000 visitors per day will visit the ships.

This program offers the best opportunities for the promotion and sale of products, as well as massive exposure. It also includes excellent opportunities for sponsorships of various levels and promotional possibilities, such as VIP and hospitality treatment for marketing companies, sweepstakes and an unlimited array of tie-in scenarios.

In addition to the Tour of the Caravels, there will be a number of other nationally visible commercial exposures, including retail merchandising programs, premiums, sales promotions, sweepstakes, direct marketing, corporate gift programs, as well as sponsor related activities. Television programming, art and historical exhibitions, opera, ballet, educational programs, scholarship programs, and technological projects are a result of the direct participation of the SEQC. Ω

Any company that is interested in the utilization of logos and marks to be applied to its products or services, including the development of special "Commemorative" product, should contact J.G. Stanley & Co. at (212) 867-8437 to secure the exclusive rights.





BANCO HISPANO AMERICANO GETS IT TOGETHER

These two paintings have an interesting history.

In fact, they are one.

El Greco's "The Annunciation" was cut in two in the 19th century.

The bottom part belongs to Banco Hispano Americano; the top part —"The Angels' Choir"— to the Athens National Museum.

We got the two sides together at an exhibition in Toledo, where El Greco painted it.

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Goya introduces Tapas

Call them appetizers or hors d'oeuvres or even elegant Spanish noshes, *tapas* are convivial eating. Invented in the taverns of Spain to provoke palate and conversation over a leisurely drink before dinner.

The drinks usually sherry. But it can be anything. It's the *tapas* that make the excitment. A great bar in Madrid could have as many as 70. Even the smallest bar, no fewer than five or six. But whatever they serve, it has verve.

Fortunately for *aficionados* here, a *tapas* spread as varied as any in Spain is as close as your Goya Section. Look at our picture: Goya chick peas, seasoned & sauteed with onions; Goya mussels, shrimps & capers, marinated in Goya wine vinegar & extra-virgin Spanish olive oil; Goya pimientos & garlic, drizzled with that classic oil; cider-poached Goya *chorizos* & apples; and Goya *empanadillas*, little spicy meat-filled turnovers (frozen, ready to heat). And Goya's wonderful giant scalloped crackers.

Goya has all kinds of makings for *tapas*: from great green olives & tuna & artichoke hearts to octopus & codfish fritter mix. Explore them. And next time it's your place for drinks, you can introduce *tapas*. By you. And by Goya. Oh Boy-a!

GOYA
GOYA
GOYA
GOYA
GOYA
CHICK PEAS
GOYA
SHRIMP

Meet them at the Goya Section. Invite them over for drinks.

Want more Tapas ideas? Send stamped self-addressed envelope to Goya, Tapas, Secaucus NJ 0709

Replicas of Columbus' Vessels to Sail the Ocean Blue

As every American school child learns, in 1492 Columbus sailed the ocean blue. In 1992 replicas of his ships, the Niña, Pinta, and the Santa María, will sail the ocean blue, as the voyage of Columbus is re-enacted.

Setting out from Huelva, southern Spain, the Niña, Pinta, and Santa María will retrace Columbus' 1492 journey from Spain to the West Indies. After stopping in one or more Caribbean ports, the three ships are scheduled to reach the United States in January of 1992. Although the precise number and names of the cities that the caravels will visit have not been determined yet, the Niña, Pinta, and Santa María will tour selected East, Gulf, and West coast port cities. Already it has been decided that New York City definitely will feature the replicas on July 4, 1992 as part of a massive celebration and tall ships parade in the New York harbor, while San Francisco will host the caravels on October 12, 1992, the date on which Columbus first landed in the West Indies. The three ships are also expected to dock in the ports of Boston, San Antonio, Miami, San Diego, Los Angeles and a number of other cities.

Joining the ships at major ports-of-call, the "Discovery Festivals" will add a vital cultural and educational dimension to the tour. Attractions planned for the festivals include the showing of a film about Santa María's Atlantic crossing in a 70 mm IMAX theater, a maritime exhibit describing the construction of the replicas using ancient methods, and popular and classical musical performances, to name just a few. Festival Events Inc., a unit of Irvin Feld and Kenneth Feld Productions, Inc., which produces the Ringling Brothers and Barnum and Bailey Circus), will plan and produce the "Discovery Festivals."

NAVES DEL DESCUBRIMIENTO

The tour of the caravels together with an extensive Quincentennial program to commemorate 500 years of America has been planned under the auspices of the Spain '92 Foundation. The Foundation was established in 1988 by the government of Spain to develop educational, cultural, and other projects to celebrate the shared heritage of Spain and the USA, particularly with a view to the upcoming Quincentenary celebration. Registered as a U.S. nonprofit organization, the Foundation serves as the official U.S. representative of the Sociedad Estatal Quinto Centenario, Spain's Quincentennial organization.

Already the replicas, which were constructed in Spain, have been touring Spanish ports since August 3, 1990. At each stop, the Niña, Pinta, and Santa María have drawn large, enthusiastic crowds. During a six-day stay in Cádiz (southern Spain), for example, approximately 200,000 people thronged to the port area to view the replicas. European stops planned for 1991 include Cannes (which will coincide with the film festival), Monaco, and Genoa.

The Spain '92 Foundation has taken steps to ensure that the Niña, Pinta and Santa María will enjoy an equally successful tour in the USA. One important preparatory effort involved transporting American journalists and corporate executives to the Spanish port of Huelva to witness the caravels' launching ceremony on August 3, 1990. Participants included journalists from such prominent media organizations as UPI, the *Washington Post*, and National Public Radio, as well as Vice Presidents from Pepsi-Cola Company, Chase Manhattan Bank, and Anheuser-Busch.

The Foundation has increased its efforts to encourage corporate involvement in the tour of the caravels and accompanying "Discovery Festivals" by offering three levels of recognition: 1) Primary Sponsorship which highlights support of a key specific area/exhibit of the Tour; 2) Official Sponsorship which grants exclusive nationwide rights in a specific product category—soft drinks, petroleum products, credit cards, etc.—; and 3) supporting sponsorship which acknowledges providers of essential goods and services. Texaco, Pepsi-Cola and other corporations currently are considering involvement at one or more levels of sponsorship.

1492 - 1992

More Than Just Ships

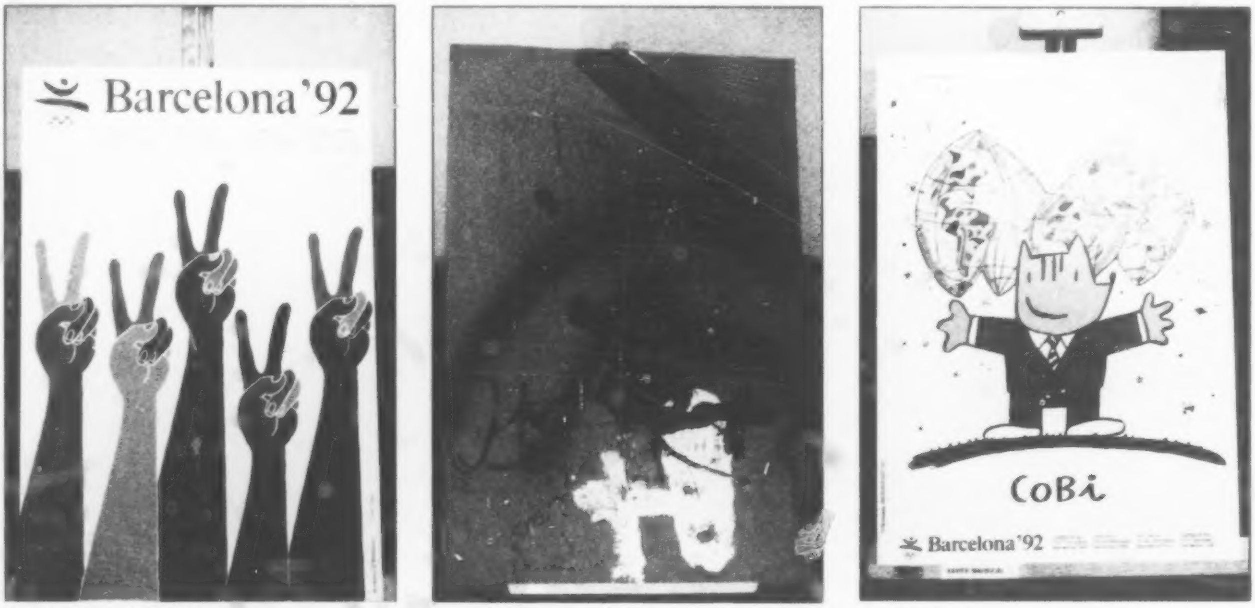
Spain '92 has allocated upwards of 20 million dollars in collaboration with or on behalf of the Sociedad Estatal and corporate sponsors to develop 32 (including the tour of the caravels) major projects and dozens of public events. In addition, over 20 high quality projects have received the Foundation's endorsement through Official Designation. These Officially Designated projects will be presented over the coming months to U.S., Spanish and international corporations for support.

The Foundation's Quincentennial program covers a broad range of topics and venues (i.e. Hispanic Heritage-Science and Technology; the National Air and Space Museum-local movie theaters and schools). Several activities such as the publication of *Encounters* magazine, a concert/video project featuring José Carreras and the donation of the Quincentennial Library Collection to the Library of Congress already have taken place. Others, such as UCLA's 16-volume series *Repertorium Columbianum* and the National Air and Space Museum's *Where Next, Columbus?* exhibit still are in the planning stages. Combined, they will have a profound and lasting influence on millions of people across the USA. Ω

John-Marshall Klein is employed by the Spain '92 Foundation. For futher information about the Caravel Tour or other Quincentenary events, contact the Spain '92 Foundation in Washington, D.C. at (202) 775-1992 or in New York City at (212) 758-1992.

Barcelona Boosts Infrastructure

The services that Barcelona will have by the time the Olympic torch arrives in that city will be greatly improved over what they are today, thanks to construction and reformation. Although these improvements are not absolutely necessary for the Olympics, the Games have given the city an excuse to improve its general image.



Official Barcelona 1992 Summer Olympics posters by Enric Satué, Antoni Tapies, and Javier Mariscal.

Without a doubt, due to its limited passenger capacity and facilities, Barcelona's airport, would have remained obsolete. The well-known architect Ricard Bofill was appointed to restructure the airport, which includes the widening and restyling of the terminal building and the construction of a new building (14,000 sq. meters in size) exclusively serving international flights. The two terminals will be joined together by an elevated passageway (15m wide) which will have four pre-embarkation modules joined to it. This will mean that passengers will not have to walk out onto the runway, as they will be able to board the plane via the five or six gangways each module will have. The budget for the restyling of the airport is almost 12,000 million pesetas (roughly $120 million), and it is scheduled to be completed towards the end of 1991.

The Collserola Tower, which reaches a height of 260m, is the key architectural feature of the so-called Telecommunication Complex of Barcelona. The main objective of this complex is to unite in a single place all the telecommunication systems scattered along the Serra de Collserola; namely, the aerials of the radio and television stations, radiotelephone services, and microwave link-ups. The Tower is the work of the British architect Norman Foster and is expected to come into use at the beginning of 1992.

In Barcelona the natural growth process of the city has surpassed the capacity that the city itself can handle in terms of traffic flow. To solve this problem a new system of urban roads and ring roads was designed. Currently Barcelona is connected to its outskirts by 12 roads and motorways with a total of 41 lanes, and a maximum entrance/exit capacity of 588,000 vehicles per day. The urgent need for the completion of the city's ring roads is, therefore, a top priority. One ring road will cross the city from Montgat to Prat de Llobregat, and was designed to streamline the city and area traffic. In addition, it will serve as a joining point for all the motorways, main roads, and access roads to the metropolitan area of Barcelona. The coastal ring road will take the form of a U-shape. This ring road, as well as acting as a collector road, will serve as an access to specific areas. This makes it a direct link with the Olympic Village and the Olympic Ring. The benefits of these improvements to Barcelona's infrastructure will remain long after the Olympic Games are gone.Ω

The preceeding article appears thanks to the collaboration of Barcelona Olímpica, *a magazine published in Barcelona and devoted exclusively to providing information about the 1992 Summer Olympics and related topics. For further information write* Barcelona Olímpica, *c/ Aragó 250, 1º, 2º, B; 08007, Barcelona. Tel: (34) 301-0125; Fax: (34) 412-2522.*

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Smooth Sailing For Columbus' Model Ships

"Abordage," a word cried by the French pirates in the Caribbean while launching an attack and boarding a galleon, is the name of a French company which currently is building models of the Niña, Pinta, and Santa María, the caravels of the Columbus voyage. Located on the island of Hispañiola, where Columbus landed during his first voyage. Abordage is committed to the recreation of authentic model replicas of these ships, and in the future plans to produce other historic ships.

Challenged to build an exact replica of the original ship, the first model of the Santa María was built according to a plan from the Maritime Museum of Barcelona. In order to improve the model both technically and artistically, Abordage carried out its own research based on historical documents and drawings of the full scale replica of the ship launched from Spain on October 20, 1989. At least five professional model builders and wood architects worked on the creation of the model, and a team of highly specialized craftsmen builds each vessel.

Each model is completely handmade and takes roughly 450 hours to complete. The hull is mounted on frames and covered with mahogany planks. The cannons are of bronze, the fittings of brass, the anchors of cast iron, and the cordage coated with beeswax. Each models receives 12 hand applied coats of a special French varnish. The sails, which are of cotton and handsewn and embroidered, are mounted following the rules of rigging and work just like in the original. Each model is unique and comes with a certificate of authenticity. Ω

Abordage is the exclusive manufacturer of a limited edition of wooden scale models of the Columbus caravels. For further information or to purchase a model, contact María José Amaldos at the Chamber. Tel: (212) 967 2170. Fax: (212) 564-1415.

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Tremendously Successful ARCO Boasts World Status

Without a doubt ARCO has taken its place among the world's finest of contemporary art fairs.

Surpassing all expectations, the tenth edition of ARCO, the international contemporary art fair held in Madrid at the Palacio de la Casa de Campo from February 6-February 12, 1991, was tremendously successful in terms of the number and caliber of exhibiting galleries, sales, and number of people who attended. This year ARCO featured works from 214 galleries, 67 of which were from Spain and 147 from 22 other countries around the world, including Denmark, Finland, Ireland, Norway, the Soviet Union and Yugoslavia, which did not take part in ARCO 1990. The USA was represented by 27 galleries, and galleries from most regions of Spain were featured. As each participating gallery averaged 15 works, in total over 3000 pieces were exhibited, representing over 1000 artists. The fact that 65% of the participating galleries were from countries other than Spain, means that without a doubt ARCO has taken its place among the world's finest of contemporary art fairs.

The Director of ARCO, Ms. Rosina Gómez Baeza

The Director of ARCO, Ms. Rosina Gómez Baeza, was quoted in the latest issue of Iberia's magazine *Ronda* as commenting, "I think that from the outside (ARCO is) seen as the great fair that has renovated art in the 20th century, as opposed to other fairs that adopt less risky postures—and (this is) not just because we insist on presenting the latest art, but because we have also widened our spheres of communication...this can be seen in the high participation of foreign firms who appreciate the interchange of proposals, ideas, and reflections."

Along the same lines, the renowned gallery owner Leo Castelli, who is surrounded by mythomania and admiration, was quoted in *Ronda* as saying, "I think (ARCO 91) is an unprecedented event. The standard is excellent, the atmosphere better. Madrid is beginning to strongly resemble Paris or New York."

It appears even the contemporary art fairs of, for example, Paris and Basilea, are starting to follow the example set by ARCO and are featuring younger talent. ARCO is a young fair both in terms of chronology and talent. As opposed to other fairs which concentrate primarily on "important" works, it is a more "dynamic" fair—more in tune with "the latest," not caught up with political or aesthetic obligations.

According to provisional statistics, this year ARCO sales totaled over 6,200 million pesetas (over $62 million), of which 1,055 million pesetas (over $10 million) were made by Spanish galleries and 5,147 million pesetas (over $51 million) by foreign exhibitors. (Exchange rate calculated at 100 pesetas to the dollar.)

Based on these and other statistics, it may be concluded that investing in art remains profitable and attractive. According to figures gathered from such sources as Sotheby's, Morgan Stanley Capital International, Salomon Brothers, and the U.S. Department of Labor, and published in *The Economist*, the appreciation of investment in works of art between 1977 and 1990 reached 1230%. During that same period of time appreciation of investment in the stock market only grew by 240%.

In conjunction with ARCO 91, a variety of activities were held. Promoted by the U.S. magazine *ARTnews* and with the participation of experts associated with that publication, a series of seminars were held on topics such as strategies for investing in art, the market of contemporary art, the future of museums, and corporate collections and sponsorships. The speakers concluded that 1991 is a favorable year for investing in art, and in particular, Spanish art.

In addition, VIDEOARCO 91 was featured as part of ARCO, which included not only the presentation of the latest video creations, but also thanks to the participation of diverse video distributors, round table discussions. Ω

Post-1992 Euroadvertising

There is now an urgent need to set up a self-regulatory mechanism

BY NORMAN VALE

In Europe, a large shadow is hanging over the freedom to advertise legal products and the freedom of consumers to make their own fully informed choices. Among the measures being introduced by the EC Commission to create the Single Market by December 31st 1992, there are an increasing number that, as proposed, are direct threats to marketing freedoms across a wide range of products and services.

Advertising is an essential part of any real democracy, which is always based on freedom of choice. Democracy recognizes and respects the ability of each individual person to assimilate information and to make well informed choices.

Advertising is also the voice of free enterprise. It is therefore anathema to zealous regulators everywhere, and to all who believe that society needs to be planned in a top-down way. Advertising is one of the most visible facets of the free market system. As such, it becomes an early target for attack.

But it is of the utmost importance that the EC's 1992 program really does create an open market, in which business is free to advocate legally available products to people who are free to choose. Advertising should be a major driving force behind this new open market, but without effective communication, genuine consumer choice will not exist.

"1992" is all about creating a free market and getting national products marketed across the whole of Europe. So it is surely nonsense to try to create an open market for goods and services, while at the same time making effective advertising for them impossible.

We should make it very clear that we are not saying there should be no advertising self-regulation (ASR) at all. People in a competitive market must accept the need for some degree of regulation. But the goal must be a regulatory framework in which all the participants can operate fairly. . . free from unwarranted restrictions.

Advertising is already the subject of checks and balances in every one of the EC Member States. . . by statute, by self-regulation or by a mixture of both. There is no reason why these checks and balances should not continue to co-exist with their voluntary codes and systems of control.

For instance, Spain has such a central body for self-regulation, the Autocontrol de la Publicidad S.A. in Madrid. Established in 1977, it consists of representatives from all fields of advertising. Among the codes it follows is the ICC's (International Chamber of Commerce) International Code of Advertising Practice, which it adopted in 1977.

However, with the reality of the Single European Market, the existence of such national advertising self-regulation bodies is no longer enough. There is now an urgent need to set up a self-regulatory mechanism at the European level, in order to deal quickly, efficiently and effectively with issues that involve two or more EC or Council of Europe member states.

The reason for this is simple. One of the major principles that the EC Commission is enjoined to observe as it moves to create the Single Market — and this has been both fully and publicly endorsed by Commission President Jacques Delors - is the principle of subsidiarity.

The principle of subsidiarity means allowing everything to be settled at the lowest level. Or, put the other way, the higher authority should not intervene if the question can be dealt with at the lower level.

Translated to advertising self-regulation having to do with issues involving two or more countries, and therefore falling outside the terms of reference of the national ASR system, the fact of the matter is, there is at present no such "lower level" below the EC Commission itself. The Commission therefore, can and does rightly say, that since they are the "higher authority", then they themselves must regulate.

> Advertising is anathema to zealous regulators everywhere

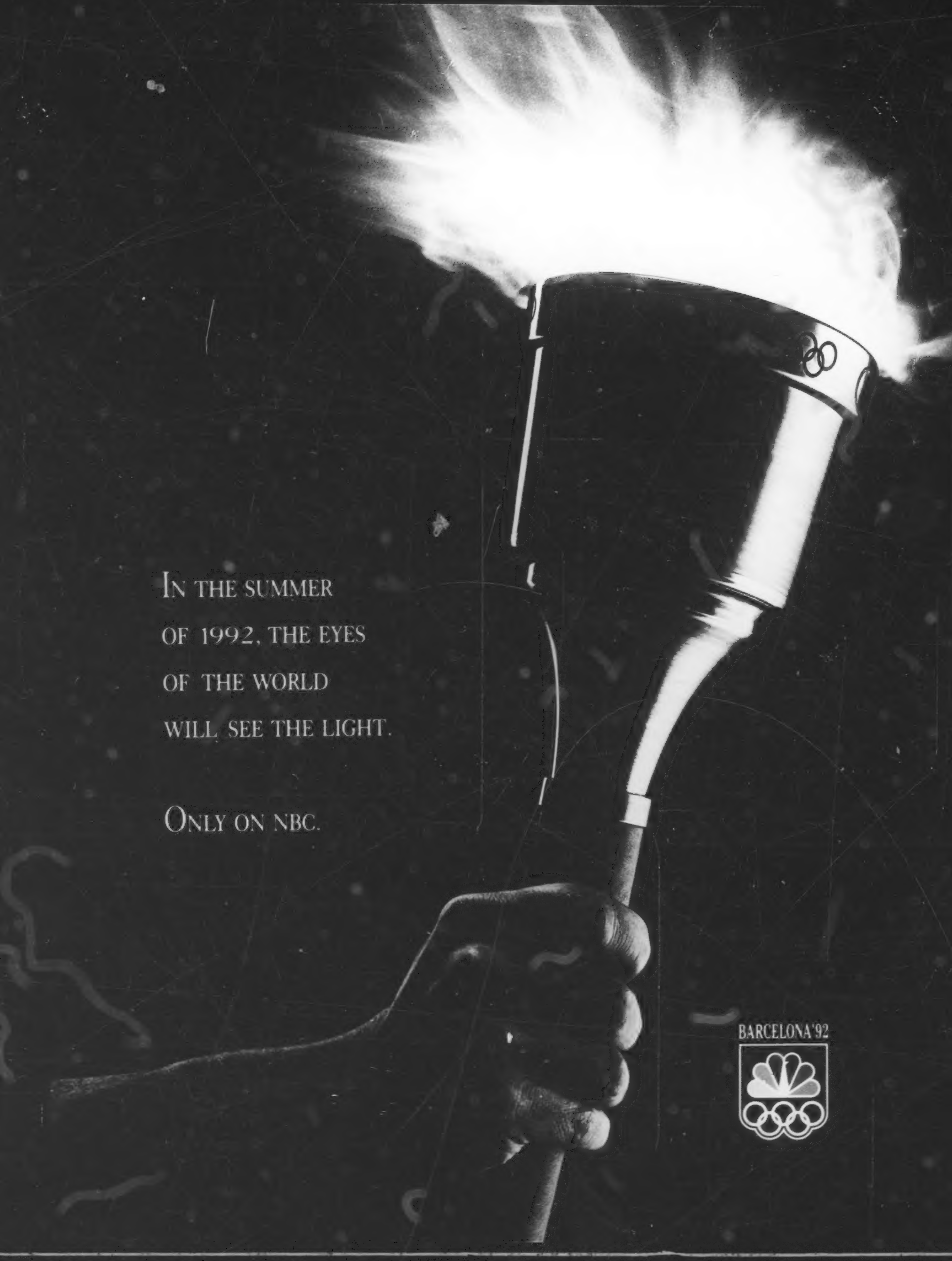
This is why the industry must urgently put into place just such a pan-European ASR system to fill the vacuum. This system will then be the "higher authority" and will obviate the necessity for the Commission, according to its own declared principles, to legislate.

Now is the critical time for action, before measures are passed to become law in the member states - with the probability of other surrounding countries having to follow suit. The International Advertising Association is currently one of many groups in Europe working through the Brussels-based European Advertising Tripartite (EAT), to address these threats and to lobby the European Institutions and the authorities in the Member States.

The IAA, with almost half its membership in Europe, welcomes the progress of the EC and wholeheartedly supports the completion of the Single Market. But we all equally wholeheartedly believe that to succeed, the Single Market must be as free and open for advertising services as it is intended to be for all other goods and services.

We all need to keep our focus firmly fixed on the freedoms of commercial speech and consumer choice. And, as Spain assumes an increasingly responsible role in the EC, its influence on regulatory issues that focus on marketing communications will be paramount in the drive to a Single Market. Ω

MR. NORMAN VALE *is Director-General of the International Advertising Association.*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